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EDITORIAL & OPINION 9

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Hong Kong killer's conviction overturned

By Laura Santini

HONG KONG—Nancy Kissel, a convicted murderer whose case riveted Hong Kong's expatriate community, could potentially end up securing a quick release from prison after a court set aside her guilty verdict, one of her lawyers said.

On Thursday, the Court of Final Appeal, Hong Kong's highest court, overturned Ms. Kissel's conviction for murdering her husband, in part arguing that the prosecution used evidence that shouldn't have been admissible.

Ms. Kissel, now 45, has been serving a life sentence in a Hong Kong prison on charges that she killed her husband, Robert, a Merrill Lynch investment banker, in 2003 by serving him a drug-laced milkshake and bludgeoning him with a statuette in their apartment at a luxury housing estate.

Simon Clarke, partner of law firm Mallesons Stephen Jaques and a member of her defense team, said Ms. Kissel could plead guilty to a lesser manslaughter charge. If prosecutors agree to reduce the charge, that could yield a sentence of 10 years or less. Add to that good behavior and the about six years Ms. Kissel has

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Political tensions flare in Iran

Agence France-Presse/Getty Images

Thousands of government supporters rallied in Tehran Thursday, marking the 31st anniversary of the founding of the Islamic Republic, as security forces dispersed—sometimes violently—pockets of protesters who had vowed to show up in large numbers to protest against the government. Page 4.

EU leaders vow to back ailing Greece

By Charles Forelle And Adam Cohen

BRUSSELS—Euro-zone countries have pledged to support Greece through its debt crisis, but don't need to provide financial support right now, European Council President Herman Van Rompuy said Thursday, after a summit of European Union leaders.

European Union solidarity for Greece was "not necessary today," Mr. Van Rompuy told a news conference after the leaders' meeting.

The leaders' broad political commitment to shore up the euro zone comes as Greece struggles to tame its growing budget deficit. The country's debt burden has sparked fears of default among investors, hitting other highly leveraged euro-zone countries, including Portugal and Spain, and the euro itself.

"Euro-area member states will take determined and coordinated action if needed to safeguard financial stability in the euro area as a whole," Mr. Van Rompuy told journalists earlier Thursday, on the sidelines of the EU summit. "Greece did not ask for any financial support," he added.

Greece's fiscal problems—a heavy debt burden and wide fiscal deficits—have spurred fears of a sovereign default and sowed worry of serious trouble in the 16-nation euro zone. Thursday's summit has become the bloc's clearest opportunity to reassure financial markets.

Greek Prime Minister George Papandreou said that his country is committed to rebuild its credibility. Greece has set a goal of cutting its 2010 deficit by four percentage points and will do "whatever necessary" to meet its targets, Mr. Papandreou said, adding that the EU decisions were "a clear message" to markets.

European stock markets and the euro rose on early reports of an EU agreement to support Greece. Both fell sharply later, when the EU leaders made only a political commitment to help the country, offering no firm fi-

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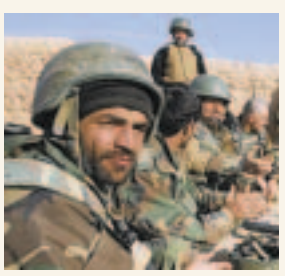
■ Does a Greece deal raise the risk of moral hazard?..... 6
■ Heard on the Street..... 28

In Depth: Afghanistan



Officials made a final effort to win over the people of the Taliban-dominated Marjah region ahead of an expected U.S.-led assault. **Page 10**

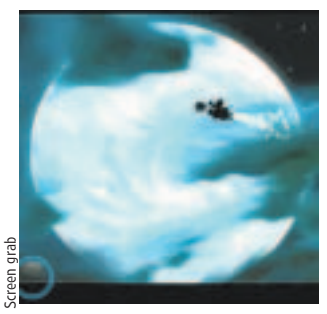
Notice to Readers

The Wall Street Journal Asia won't publish Monday or Tuesday in observance of the Lunar New Year. News and updates at asia.WSJ.com.

Video declares 'war' on Chinese Internet censorship

BEIJING—The latest battle over Internet freedom in China is playing out in an online movie that pits an armored blue beast and his band of antiauthoritarian rogues against a sinister force called Harmony that seeks to clean up the Web.

By Loretta Chao, Juliet Ye and Aaron Back



Screen grab

A scene from the video

The video, called "War of Internet Addiction," is a send-up of government censorship starring videogame characters that has become one of the hottest things on the Chinese Internet, epitomizing the unruly spirit that thrives on the Web despite an intensifying crackdown on free expression in China.

The 64-minute video consists entirely of footage shot in the virtual universe of "World of Warcraft," a wildly popular online game from **Activision Blizzard** Inc. in which millions of players around the world do battle via magical avatars.

The movie's plot centers on gamers' frustration with an actual bureaucratic battle over regulation of the Chinese edition of the game, but its subtext is a broad, biting allegory of the fight against government Internet controls, peppered with allusions to a list of real-world conflicts in China over the past year. The Chinese version of World of Warcraft is licensed by **Netease.com** Inc. and is operated independently from overseas versions of the game.

In the video's climactic scene, Kan Ni Mei, the blue, armored, ox-like hero, faces off with a villain sent by Harmony who threatens to destroy the gamers with the "power of Green Dam"—a reference to the Web-filtering software that the government last year tried to compel personal-computer makers to install on all PCs sold in China. Kan Ni Mei addresses his cohorts: "Please raise your hands up. I need your strength," he says. "When they blocked YouTube, you didn't act. When they blocked Twitter, you didn't act."

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IBM Power 595 Server Model 9119-FHA, 6,085,166 tpmC, $2.81/tpmC, available 12/10/08.

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What's News—

* * *

Business & Finance

■ **China reported a surge** in bank lending and sharply rising property prices for January, figures that reinforced growing worries that the world's fastest-growing major economy risks inflating a new bubble. Banks extended $203.6 billion of new loans last month, more than in the last three months of 2009 combined. **3**

■ **KDDI and Liberty** are discussing changing the terms of their $4 billion deal for a Jupiter stake to meet regulators' concerns. **17**

■ **Rio Tinto's 2009 earnings** jumped, and the firm issued an upbeat outlook for commodities, boosted by strength in China. **13**

■ **U.S. stocks gained** as a meeting of European leaders issued a written pledge to support Greece, though there will be no direct aid for now. Hong Kong's benchmark jumped 1.9% on lower-than-expected inflation in China. **23**

■ **Vietnam moved to shore up** its currency system, but inflation and a big trade deficit mean it has more work ahead, including possibly boosting interest rates and further devaluing the currency. **5**

■ **Credit Suisse swung** to a fourth-quarter net profit despite a slowdown in investment-banking activity late last year. **22**

■ **Singapore property developer** CapitaLand reported a more than 11-fold rise in quarterly profit, mostly due to gains from an IPO of a unit, and flagged plans to expand in Vietnam and China. **18**

■ **Telstra's first-half profit** fell 3.3%, and the Australian telecom company anticipates headwinds for the rest of its fiscal year. **17**

■ **Genting Singapore said** the casino portion of its Resorts World complex will open Feb. 14, in time for the Lunar New Year. **17**

■ **De Beers plans** to tap shareholders for $1 billion so the diamond producer can cut debt after a year in which gem sales slumped. **19**

European Pressphoto Agency

Antasari Azhar, former chairman of Indonesia's Corruption Eradication Commission, holds his head while leaving a Jakarta court room. He was convicted and sentenced Thursday to 18 years in jail for plotting a businessman's murder. Mr. Azhar, who initiated some high-profile probes and whose trial drew huge interest, said he will appeal.

■ **AIA has added seven banks** to handle its planned Hong Kong initial public offering slated for the second quarter. **20**

■ **A senior Toyota executive** said its U.S. dealers are repairing 50,000 recalled cars a day. Separately, a U.S. lawmaker wants the car maker's CEO to appear before Congress to answer questions about safety. **15**

■ **Motorola is close** to rolling out a new separation plan that would combine its set-top box and handset units into a new publicly traded company. **19**

■ **Renault reported a 2009 loss** and the French car maker said it expects business to remain tough this year. **15**

■ **The euro extended** its losses amid the lack of detail on the euro-zone countries' show of support for Greece, and a longer-term thrashing seems likely even if a deal is struck. **22**

* * *

World-Wide

■ **Tens of thousands** of government supporters rallied in Tehran, marking the 31st anniversary of the founding of the Islamic Republic, and security forces dispersed pockets of protesters, sometimes violently. **4**

■ **Afghan officials** reached out to the residents of Marjah ahead of an expected coalition assault on the region. **10**

■ **Pakistan said talks with India** are likely to begin in Delhi on Feb. 25, the first since the 2008 Mumbai attacks. **4**

■ **Thai officials dropped** charges against the crew of a plane filled with illegal North Korean weapons detained in December at Bangkok's airport. The men should be released soon and deported. **5**

■ **A Chinese court upheld** an 11-year prison sentence for writer Liu Xiaobo on subversion charges, prompting swift rebukes from the U.S. and EU governments. **4**

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2. Secretive Culture Led Toyota Astray
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4. Iran Authorities Brace for Protests
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"Just as in life, choosing the wrong partner can make things very miserable."

-- **Sanjay Anandaram**

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Heard on the Street: Rate rises in Korea are off the table. **28**

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Chinese lending soars

By Andrew Batson
And Dinny McMahon

BEIJING—China reported a surge in bank lending and sharply rising property prices for January, figures that reinforced growing worries that the world's fastest-growing major economy risks inflating a new bubble.

Easy credit has been a key driver of China's economic recovery, and banks kept up their lending in January, extending 1.39 trillion yuan ($203.6 billion) of new loans in the month. That is more than in the last three months of 2009 combined, and nearly a fifth of the government's target of 7.5 trillion yuan in new loans for all of 2010. The central bank also reported Thursday that the M1 measure of money supply surged 39% in January, its fastest increase in at least a decade. Economists say that shows households are moving money out of long-term deposits in preparation for spending it, a signal of future inflation.

At the same time, property prices are now rising at their fastest pace since early 2008. Loose money has enabled developers to build more housing while encouraging households to buy now. The average price of new residential property in 70 cities rose 11.3% from a year earlier in January, the National Bureau of Statistics said, accelerating from December's 9.1% gain.

The recovery in China's housing market has underpinned the nation's return to double-digit economic growth, and will become increasingly crucial this year as Beijing winds down its two-year stimulus program. The growing fear of many officials and analysts is that a property bubble that leads to a bust could derail that expansion. How China handles this real-estate boom will have broad ramifications, since its strong demand for the raw materials and equipment needed to build out new housing, infrastructure and factories has been one of the few bright spots in the world economy.

"China's entire growth and investment boom is centered on sentiment in the property market," said Doris Chen, banking analyst with BNP Paribas in Shanghai. High property prices support local government budgets, she said, and so indirectly finance many of the infrastructure projects that have been part of the stimulus.

With restrictive government policies widely blamed for triggering the collapse in housing sales in 2008, officials have been cautious in changing tack this time. They have mostly targeted speculation: Purchases of second homes, for instance, are now subject to higher taxes and tighter financing. But there has also been a broader effort to contain risks in the banking system. In mid-January, regulators pressed banks to curb lending after early reports that banks had made more than a trillion yuan in new loans in just the first two weeks of the year.

The People's Bank of China, in a quarterly report also issued Thursday, said it needs to "pay attention to price movements and strengthen prevention of financial risks."

The government's latest measures do seem to have had some effect on property markets in big cities, where price increases have been sharpest. The number of transactions in Shanghai's residential property market fell 46.4% in January from December, according to estimates by Soufun, a local research firm. The statistics bureau for the city of Beijing also reported that second-hand residential property transactions dropped 64.5% in January from the previous month. Nationwide sales figures for January haven't yet been published.

Yet many Chinese still see higher property prices as a sure bet. A monthly consumer survey published Thursday by Hyperlink Research found 51% of respondents expect housing prices to be higher in the next six months, a proportion little changed from previous months.

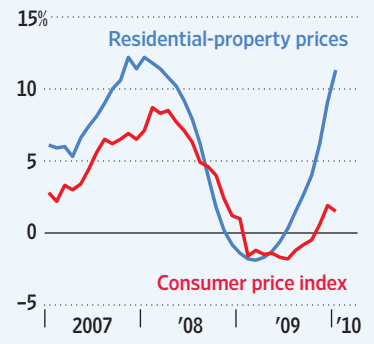
While inflationary pressures are strongest in property, broader price measures are also rising. The consumer-price index rose 1.5% in January from a year earlier, slowing from a 1.9% rise in December. But that moderation was driven by slower gains in food prices, and nonfood prices rose 0.5% last month, picking up from 0.2% in December and a 0.7% decline in November.

—Terence Poon and Liu Li contributed to this article.

Bubble forming?

An explosion in China's money and credit growth...
Change from a year earlier in:

Threatens a resurgence of inflation:
Change from a year earlier in:



Sources: People's Bank of China; National Bureau of Statistics (property and CPI)

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Liu's sentence for subversion upheld

Ruling by Chinese court draws immediate rebuke from U.S. and European officials, who call for dissident's release

By Sky Canaves And Jason Dean

BEIJING—A Chinese court upheld an 11-year prison sentence for writer Liu Xiaobo on subversion charges Thursday, prompting swift rebukes from the U.S. and European Union governments that underscore growing international concern over Beijing's human-rights practices.

Mr. Liu, China's most prominent dissident, was convicted in December for "inciting subversion of state power" in writings that called for sweeping political and legal reform.

The rejection of his appeal by a Beijing court had been expected. But the response was unusually swift and coordinated, with the U.S. and EU missions in Beijing releasing statements almost immediately after the decision, criticizing it and calling for Mr. Liu's immediate release.

"We are disappointed by the Chinese Government's decision," said the U.S. statement, attributed to Ambassador Jon Huntsman. "We believe that he should not have been sentenced in the first place and should be released immediately." The EU said the verdict against Mr. Liu "is entirely incompatible with his right to freedom of expression."

Mr. Liu was detained in December 2008, shortly after the release of the pro-democracy "Charter 08" manifesto, which he cowrote. Other foreign countries, as well as numerous rights groups and international literary figures, have also criticized China's treatment of Mr. Liu, a literature scholar who has been promoting political change in China for more than two decades.

Agence France-Presse/Getty Images

Police monitor protesters outside the China liaison offices in Hong Kong on Thursday following the Beijing court ruling.

"By upholding the verdict the court missed an opportunity to right the wrong" of Mr. Liu's treatment, said Roseann Rife, an Asia-Pacific official at Amnesty International. "His harsh sentence is a stark reminder to the Chinese people and the world that there is still no freedom of expression or independent judiciary in China."

China's government has provided few details on Mr. Liu's case. At a regular news briefing Thursday, Ministry of Foreign Affairs spokesman Ma Zhaoxu said the case would be handled according to Chinese law. He said that China's judicial independence and rule of law shouldn't be questioned, and dismissed the use of the term "dissident" as unsuitable for China.

Shang Baojun and Ding Xikui, lawyers for Mr. Liu, confirmed that the appeal was rejected, and declined to comment further.

Beijing in the past year has stepped up its already aggressive efforts to quash dissent. This week, a court issued a five-year prison sentence to Tan Zuoren, an activist who questioned official accounts of school collapses in the Sichuan earthquake of 2008. That followed last month's rejection of an appeal of another earthquake activist, Huang Qi, who had been sentenced in November to a three-year prison term. In December, authorities arrested Zhao Lianhai for running a Web site to help families of children were poisoned by tainted milk powder made by government-owned companies.

The Obama administration, in its first months, played down human-rights issues with China in an effort to focus the bilateral relationship on other big issues like the economy and environment. But Washington has been increasingly vocal of late in its concern about issues from Mr. Liu's case to Internet censorship and alleged cyberattacks emanating from China against U.S. companies.

"We have raised our concerns about Mr. Liu's detention repeatedly and at high levels, both in Beijing and in Washington, since he was taken into custody over a year ago," the U.S. statement said. "Persecution of individuals for the peaceful expression of political views is inconsistent with internationally recognized norms of human rights."

European officials have also voiced increasing frustration with Beijing over rights issues. The EU statement called on the Chinese "unconditionally to release Mr. Liu and to end the harassment and detention of other signatories of Charter 08."

Tehran targets protesters

By Farnaz Fassihi And Chip Cummins

Tens of thousands of pro-government demonstrators rallied in Tehran on Thursday as security forces dispersed—sometimes violently—pockets of protesters, who had vowed to show up in large number to demonstrate against the government.

President Mahmoud Ahmadinejad, meanwhile, said Iran had successfully produced its first batch of higher-enriched uranium for a medical-research reactor, his latest act of defiance against an international community increasingly worried that the country is pursing nuclear weapons.

Tehran, as it had promised earlier this week, mounted a massive mobilization against Thursday's protests, which the opposition had timed for the 31st anniversary of the Islamic republic's founding. Security services and government supporters appeared to vastly outnumber protesters, according to online opposition accounts and Iranians reached by telephone.

The government's crackdown and fresh nuclear claims appeared to be twin messages aimed at international and domestic critics: That Mr. Ahmadinejad's government remains unbowed, despite pressure from Washington and allied capitals to curb its nuclear ambitions, and amid persistent domestic unrest stemming from last summer's contested presidential elections.

Opposition Web sites and international media reported arrests and several clashes, including security forces firing tear gas and paint balls into crowds of protesters in the capital. Opposition leader Mehdi Karroubi was attacked by plainclothes militia, according to family members.

Agence France-Presse/Getty Images

Pro-government rally Thursday, Tehran

Protests broke out in other big Iranian cities including Isfahan and Ahvaz, according to opposition reports and videos posted on YouTube. In Isfahan, opposition supporters massed on a historic city bridge, as drivers honked their horns in support. Antiriot police fired tear gas and guns in the air, chasing the crowd off the bridge, according to videos circulating on the Internet.

Zahra Rahnavard, the wife of opposition leader Mir Hussein Mousavi, was attacked by plainclothes militia forces and riot police Thursday, according to Mr. Mousavi's official Web site, Kaleme. The site said Ms. Rahnavard suffered injuries to her head and back from punches and baton blows.

She was attacked around Sadeqiyeh Square, where separate reports said other opposition members were assaulted earlier in the day. Bystanders eventually formed a protective circle around Ms. Rahnavard, according to Kaleme, and helped her escape from the militia officers.

It wasn't immediately possible to confirm the accounts. Opposition supporters have used their Web sites to report news and have posted clips and reports of protests on social-networking sites, in order to bypass a ban on reporting antigovernment demonstrations.

Residents of Tehran, reached by phone, said much of the city had the feel of martial law, with heavy security deployed throughout the city and many shops closed. Government forces fanned out across the capital in force Wednesday, with Revolutionary Guard Corps troops lining streets where demonstrators had signaled they would gather. Tehran residents also reported severe disruption to their Internet and cellphone texting services late Wednesday.

Still, "people are still as determined as ever to go out in the streets," said a 40-year-old opposition supporter, reached by phone in Iran. "I don't know anyone who has participated in previous protests and is staying home today."

Pakistan sees talks in India on Feb. 25

By Zahid Hussain

ISLAMABAD—Pakistan and India are likely to hold talks in Feb. 25 for the first time since the 2008 Mumbai terrorist attacks, raising hopes of a thaw in relations between the rivals, a senior Pakistani foreign ministry official said.

The official said Thursday the date for the meeting in New Delhi between the foreign secretaries of the two nations is almost finalized. India had proposed meeting Feb. 18 or Feb. 25.

"We will go to Delhi with an open mind and steer the discussions towards a positive direction," said Pakistani Foreign Secretary Salman Bashir, who will lead his country's delegation in the talks.

He said the discussions would cover all issues concerning the two countries. India initiated the invitation to resume talks but publicly hasn't stated what it wants them to cover, saying only that it is interested in discussing terror and other "relevant" issues.

A senior official at India's Ministry of External Affairs said he couldn't immediately the date.

The talks, which have been encouraged by the U.S. government, hold out the prospect of ending a prolonged diplomatic standoff.

But the immediate challenge is to find a way to reconcile clashing views on how the dialogue should be pursued, said Maleeha Lodhi, a former Pakistani ambassador to the U.S. who is now a fellow at the Woodrow Wilson Center for Scholars in Washington.

Pakistan insists on a composite framework, which provided the basis for the past negotiations. That included longstanding disputes over Kashmir and one part of it, Siachen. Over the past 60 years, India and Pakistan have fought three wars, and on several occasions they came close to fighting.

A dialogue without any agenda or framework "will take us nowhere," said Mr. Bashir. He said Pakistan is prepared to discuss all issues including terrorism, which has been a major concern for India, as well as Pakistan. In northwest Pakistan on Thursday, two bomb explosions near a police complex killed at least 15 people.

New Delhi earlier linked the resumption of talks to Pakistan taking action against Lashkar-e-Taiba and its leader, who India said masterminded the terrorist attacks in Mumbai in November 2008.

India and Pakistan had agreed on a joint antiterrorism mechanism, but it has remained ineffective because of the tension between them. Pakistan said the revival of the mechanism could help in joint efforts to counter terrorism in the region.

The two countries are also expected to resume back-channel negotiations.

Hanoi devaluation eases imbalances

Vietnam moves to shore up currency, but inflation and trade deficit indicate nation may have to take further steps

By Alex Frangos and Patrick Barta

Vietnam moved Thursday to shore up its currency system, but inflation and a big trade deficit mean the government has more work ahead, including possibly boosting interest rates and further devaluing the currency.

The Southeast Asian nation has been a target for Western investment capital in recent years and has seen its economy remain strong despite the global financial crisis. But the government is struggling to manage that growth, leading to underlying problems that have put pressure on its currency, which is pegged to the U.S. dollar.

Vietnamese residents have responded by hoarding dollars and gold out of fear the currency—the dong—will become even less valuable in the future.

The State Bank of Vietnam lowered the official value of the dong 3.4%, bringing it more in line with how the currency trades on the street in nongovernment sanctioned venues. Now, one U.S. dollar will buy 18,544 dong, compared with 17,941 dong earlier in the week. The country also capped the interest rate on some U.S.-dollar bank accounts at 1% in order to encourage businesses and state enterprises to hold dong instead of dollars.

Vietnam's problems are unlikely to spread to neighbors such as China, Thailand and Indonesia, which enjoy strong foreign reserves and trade surpluses. The rest of the region is facing pressure for currencies to rise, rather than weaken.

Hanoi's moves this week aren't the first and will unlikely be the last. "Unless we see moves to address the inflation and trade-balance issues, we will likely see depreciation pressure continue," said Daniel Hui, currency strategist at HSBC in Hong Kong. Inflation rose 7.62% in January compared with the year before.

Mr. Hui expects Vietnam will have to raise its benchmark interest rates four percentage points this year to handle its inflation problem. Higher interest rates will make it more attractive to hold dong, increasing its underlying value. But higher rates also risk snuffing out the economic recovery.

Economists at DBS figure the government will let the dong devalue another 5.9% this year. Vietnam announced a 5% dong devaluation in December, and two other devaluations since June 2008.

Another move the government will likely take is to remove a cap on the rate banks can charge above the central bank's rate. That cap, currently 150% of the base rate of 8%—makes it difficult for higher interest rates to creep into the banking system.

"We still believe that sooner or later the key will be on increasing interest-rate flexibility for deposits and loans in dong," says Martin Rama, a World Bank economist in Hanoi.

One of the earlier devaluations, announced in November, accompanied a one-percentage-point increase in interest rates to 8% as a way of boosting demand for dong. The government has also moved to prevent hoarding of gold as an alternative to the dong. It banned imports of gold for a time in 2009 and later shut down several gold exchanges.

It is unclear whether these efforts will be enough to ease the imbalances in Vietnam's economy. One risk is that each new devaluation exacerbates the dollar-hoarding problem by lowering consumer and businesses confidence.

Vietnam's macroeconomic problems stem in part from its rapid expansion from 2000 to 2007, when gross domestic product grew an average of 7.5% a year and inflation got out of control, reaching a peak of 28% in August 2008.

Although the global credit crunch helped ease inflation, it dented foreign direct investment in Vietnam and pushed exports into a slump, swelling the country's trade deficit and exposing its over-reliance on overseas markets. Vietnam estimated its trade deficit in January was $1.3 billion, with imports leaping 87% and exports rising 28%.

Vietnam grew smartly in 2009 compared with the rest of the world, achieving 5.5% GDP growth, World Bank estimates show. But in the transition to a more urban, market-based economy, the country has struggled to keep a lid on inflation and trade and budget deficits.

To finance a massive stimulus program in response to the global recession, the government has turned to international borrowings. It secured $1 billion in financing commitments from the World Bank in December 2009 and raised an additional $1 billion from Wall Street in a bond offering this month. It also arranged a $500 million loan from the Asian Development Bank and loans from the governments of Japan and France.

The devaluation and continuing inflation will make it more difficult for Vietnam to pay back those loans as the value of its currency erodes. Vietnam isn't in any danger of default, and there are enough dollar reserves and private deposits to handle a repayment crunch, according to HSBC.

Pro-growth government policies drove the widening trade gap last year. Tax cuts on car purchases pushed auto imports to record levels in 2009. Infrastructure projects required import of raw materials and construction machinery. Korean auto maker **Ssangyong Motor** Co. said Thursday it signed a contract to import 15,500 partially built sports utility vehicles to Vietnam, where the autos will be fully assembled and sold.

On the plus side, the devaluation will help make Vietnam's key exports—which include shoes, coffee and rice—cheaper than those of many other Asian countries.

—Nguyen Pham Muoi contributed to this article.

Thailand drops charges in weapons case

By Patrick Barta

Thai officials dropped charges against the crew of a plane filled with illegal North Korean weapons detained in December at Bangkok's international airport.

Prosecutors said they were responding to requests by the five crew members' home countries, Belarus and Kazakhstan, to hand the cases over to potentially be tried in their own courts. Thai authorities said the men should be released soon, pending completion of procedural requirements, then deported.

Although rumored for days, the announcement surprised some weapons experts, who are puzzling over unanswered questions from the case and were hoping Thai authorities would hold the men longer, or at least until more details about the investigation were revealed. Thai officials have indicated the flight was headed for Iran, but it remains unclear who masterminded the arms purchase or where the arms were ultimately going to be used.

Thailand seized the Ilyushin-76 cargo plane in Bangkok on Dec. 11 after it stopped to refuel after a trip to Pyongyang to collect 35 tons of rocket-propelled grenades, missiles and other arms. Thai authorities, who said they acted on a tip from U.S. sources, were operating under new United Nations Security Council rules created in June that ban North Korea from exporting arms. The rules called on countries to inspect North Korean cargo in their airports if the planes are believed to carry banned items.

Thai officials initially charged the men with illegal-arms possession and indicated they might add tougher charges. The men said they had no knowledge of the weapons and thought they were ferrying oil-drilling equipment. Since then, Thai authorities have completed a report on the matter and handed the results to the U.N. Security Council. Although some aspects of the report have leaked out—including the plane's destination, Iran—Thailand declined to make copies public, and Security Council diplomats also have kept the report secret.

That has disappointed scholars of international weapons trafficking who had hoped tougher U.N. sanctions would lead to more public information about North Korea's global arms deals. The plane detained in Thailand "is a test case" for the new U.N. rules and how much information can be made public, said Bertil Lintner, a writer and arms-trafficking expert based in Thailand. "It's very strange" that Thai authorities haven't disclosed more, Mr. Lintner said.

A Thai government spokesman said the country has fully complied with U.N. requirements and isn't required to release its report. A Security Council diplomat said the report would remain confidential, a reaction echoed by Turkey's mission, which chairs the the council's North Korean sanctions committee. A spokesman for the U.S. Embassy in Bangkok had no comment.

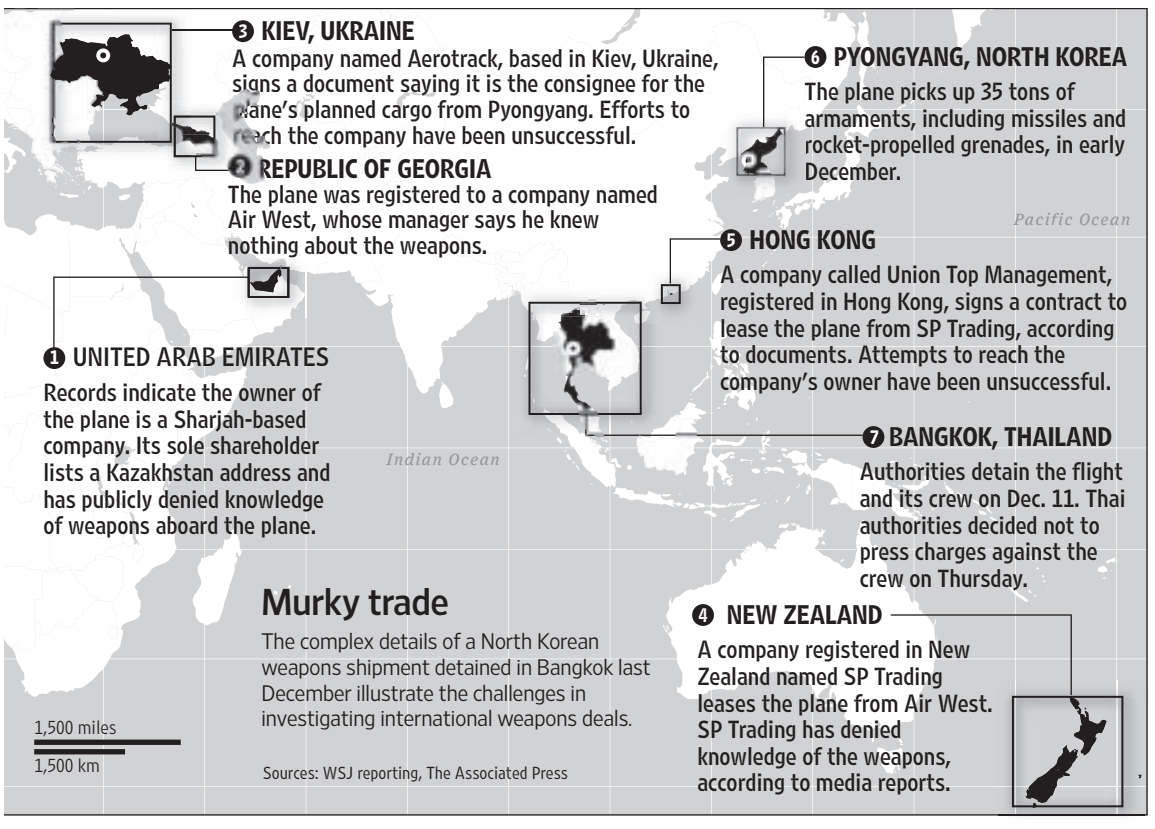
A spokesman for Kazakhstan's prosecutor general told Interfax news agency the government would decide what to do with the Kazakh crew members when they got back home. Officials from Belarus didn't make any public comments.

Working independently, weapons-trafficking experts searched for a number of individuals and businesses named in documents—such as bills of lading for the cargo—related to the shipment, including shell companies and plane-leasing outfits in New Zealand, Hong Kong, the Republic of Georgia and elsewhere. Many of those leads turned out to be dead ends because the parties involved denied knowledge of the weapons or weren't reachable.

For example, a document obtained by arms-trafficking researchers in Belgium and the U.S. and seen by The Wall Street Journal names a company called Aerotrack Ltd., based in Kiev, Ukraine, as the consignee for the shipment. Repeated efforts to reach the company by phone were unsuccessful. During a visit Thursday to the Aerotrack address listed in air-shipment documents—a large office building—a reporter was told by a security supervisor that no such company is among the tenants.

Some weapons experts say it is possible that the crew members didn't know what they were carrying, and may have already given Thai and other authorities as much information as possible. Thai authorities made clear they didn't see it in their best interest to keep pursuing the case in Thailand. "To charge them in Thailand could affect the good relationship between the countries," involved, said Thanaphit Mollaphruek, a spokesman for the attorney general's office, the Associated Press reported. "To charge them in this case would not be a benefit to Thailand."

—Daniel Michaels, Joe Lauria, Wilawan Watcharasakwet and Victoria Butenko contributed to this article


3 KIEV, UKRAINE
A company named Aerotrack, based in Kiev, Ukraine, signs a document saying it is the consignee for the plane's planned cargo from Pyongyang. Efforts to reach the company have been unsuccessful.
2 REPUBLIC OF GEORGIA
The plane was registered to a company named Air West, whose manager says he knew nothing about the weapons.
6 PYONGYANG, NORTH KOREA
The plane picks up 35 tons of armaments, including missiles and rocket-propelled grenades, in early December.
Pacific Ocean
5 HONG KONG
A company called Union Top Management, registered in Hong Kong, signs a contract to lease the plane from SP Trading, according to documents. Attempts to reach the company's owner have been unsuccessful.
1 UNITED ARAB EMIRATES
Records indicate the owner of the plane is a Sharjah-based company. Its sole shareholder lists a Kazakhstan address and has publicly denied knowledge of weapons aboard the plane.
Indian Ocean
7 BANGKOK, THAILAND
Authorities detain the flight and its crew on Dec. 11. Thai authorities decided not to press charges against the crew on Thursday.
4 NEW ZEALAND
A company registered in New Zealand named SP Trading leases the plane from Air West. SP Trading has denied knowledge of the weapons, according to media reports.
Murky trade
The complex details of a North Korean weapons shipment detained in Bangkok last December illustrate the challenges in investigating international weapons deals.
1,500 miles
1,500 km
Sources: WSJ reporting, The Associated Press

Rescue stirs fear of moral hazard

Any EU debt guarantees for Greece, other nations may contain the crisis but risk causing another big problem

By Tom Lauricella

Any deal by European officials to guarantee the debt of Greece and other troubled nations might keep the crisis from worsening, but it raises another big problem: moral hazard.

The concern is that by rescuing a country that for years flouted fiscal discipline, the European Union would be encouraging such behavior rather than discouraging it. One of the strengths of the euro was the idea that when a country joined the European Union it was a one-way trip that came with strict fiscal responsibilities. A loan-backstop program could change that perception.

The moral hazard problem "is real," says John Taylor, chief investment officer at currency managers FX Concepts. "Any rescue has to be nasty enough that nobody wants to be in a position to be rescued."

But that puts European officials in a bind. If a loan bailout became necessary and was imposed with the kind of harsh measures that would eliminate moral hazard, it could do significant damage to local economies, especially already-fragile banks.

In the end, officials may not have a choice but to come up with a plan that can be seen as creating some kind of moral hazard, analysts say.

Given signs that the troubles in Greece and other Mediterranean countries were beginning to infect markets in the relatively healthy core of Europe, the lack of a debt-guarantee program could set the markets right back on the path to contagion. Some argue that in the end, averting a debilitating financial crisis will matter more to investors than moral hazard.

In the short run, a guarantee plan is seen by many as a positive for the euro. Amid fears that the problems in Greece would spread, investors had been pulling money out of European financial markets and buying U.S. dollars or yen.

"While there's still a question about how things will proceed ... to alleviate the potential default of a member country—that would be a good thing," says Robert Lynch, currency strategist at HSBC Bank in New York.

But the longer-term implications are less clearly positive.

"A bailout implies 'moral hazard,' " analysts at BNP Paribas wrote last week. "Lack of market-driven discipline due to the '[European Monetary Union] umbrella' has certainly been one of the factors contributing to the buildup of imbalances in Greece and elsewhere. Bailing Greece out would give a signal to other countries, limiting the incentives to undergo the needed adjustment as they gain fiscal 'impunity.' "

Debt weight

The most indebted countries in the developed world, by gross government financial obligations as a percentage of GDP.

*Hungary and Iceland have received an International Monetary Fund bailout.
Note: Figures are based on estimates for 2010
Source: Organization for Economic Cooperation and Development via Associated Press

In addition, if a bailout leads to the euro resuming the climb it enjoyed last year, the result could actually be a negative for European economies. In November the euro was changing hands just shy of $1.50. (On Thursday afternoon Europe time, the euro was worth about $1.36.)

"It's a Catch-22," says David Gilmore, economist at Foreign Exchange Analytics. The recent declines in the euro "are doing wonders for European competitiveness at a time when they are crawling out of recession."

In turn, eventually a bailout would be negative for the euro as it would weaken the overall economic strength of the region, said Tim Backshall, chief strategist at Credit Derivatives Research, an independent research firm in New York. Debt levels would rise across the euro zone and forced austerity measures would reduce overall economic growth, he said.

Others, however, say that in the current circumstances, the benefits of a bailout won't necessarily come with the unwanted baggage.

One reason is that it is no longer seen as just a problem facing a single economy—Greece—and instead as something that poses a challenge for all EU members of the European Union, says Mark Schofield, global head of interest-rate strategy at Citigroup in London.

In addition, the current government in Greece appears to be taking the situation seriously. A loan-guarantee plan "is not Greece trying to take the easy way out," Mr. Schofield says.

The idea, he says, "would be to try and make a decent fix of it in the near term and at least get some time to deal with the structural problems."

And for the governments that would be helping Greece, he adds, "you can argue that provided you are conscious of [moral hazard] and going into it with your eyes open, you can deal with that going forward."

Laurence Mutkin, chief European interest-rate strategist at Morgan Stanley, says investors don't have to look far for an example of bailouts that avoid moral hazard.

"If you look at what the IMF does, it gives support on a contingent basis," he says. But for the countries that get rescued, it comes with an "economic and political cost."

EU leaders offer few details on assistance for Greece

Continued from first page

nancial aid. The euro traded at $1.3637, down from $1.3734 late Wednesday.

"All in all, the euro-zone countries today have tried to put a safety net under the Greek debt problems without specifying what the safety net could look like," said Carsten Brzeski at ING Financial Markets. "In terms of explicit European action, nothing has been decided, nothing has been ruled out."

Mr. Van Rompuy said he wasn't following the financial markets and had no impression to offer on how they responded to the EU leaders' statement.

He added that it was too soon to judget the merits of the euro zone's "political will" to support Greece.

European Comission President Jose-Manuel Barroso, who also participated in the summit, said EU leaders didn't discuss a financial rescue for Greece because the country hasn't asked for help.

He added that more formal decisions about financial matters normally are left to EU finance ministers. The bloc's finance ministers are due to hold their regular monthly meeting on Monday and Tuesday. Several EU diplomats said further contingency plans for Greece will be discussed then.

"I don't wish to speculate on any scenarios. I don't think that gets us anywhere and I think it can be negative," Mr. Barroso told the news conference, when asked what euro-zone governments might do if Greece's debt crisis deepens.

The EU leaders' meeting originally was intended to discuss longer-term economic issues, including closer coordination among EU governments. Mr. Van Rompuy said the current crisis in the euro zone shows the need for closer economic cooperation, but acknowledged that the Greek crisis had taken over most of his agenda.

Reuters

Germany's Angela Merkel, the EU's Herman Van Rompuy and Greece's George Papandreou leave the EU Council building on Thursday.

"It would have been nice if we didn't have to spend quite so much time on that urgent issue," he said.

Jean-Claude Juncker, chairman of the group of euro-zone finance ministers, or Eurogroup, said Thursday that leaders of euro-zone economies will take every necessary action to ensure the currency bloc's stability, but are yet to determine how to aid the Greek economy.

Speaking to reporters after the European Council meeting of European Union heads of government, the Eurogroup chief and Luxembourg prime minister reiterated that Greece can survive without external funding, but stressed that any aid from euro-zone members would not be "money for nothing."

"We are debating a determined and coordinated plan from the euro area to help Greece...but leaders are yet to decide the precise measures to help the Greek economy," Mr. Juncker said.

Asked to give details of any bailout plan, Mr. Juncker said; "I don't want to speculate on something the Greeks tell us is not necessary," adding that speculation Greece could exit the 16 country bloc was "absurd."

Earlier Thursday, Mr. Van Rompuy said Greece—which has been laboring to cut its spending—is adopting "additional measures" to get its budget in line. "We call on the Greek government to implement all these measures in a rigorous and effective manner," Mr. Van Rompuy said.

The EU president did underline that leaders saw the Greek troubles as a euro-zone problem, saying that countries that use the common currency have a "shared responsibility."

The paucity of detail underlines how delicate a matter aid to Greece is. The euro zone is built around the idea that each nation manages its own fiscal affairs, subject to monitoring by the EU's executive arm. A bailout of Greece would imply that a badly behaving nation—Greece for years violated rules against overspending—can be saved from the consequences.

Neither are the saviors happy. Germany, which as the bloc's biggest and most stable economy would have to take the brunt of any bailout, has been wary. Helping its profligate peer is unpopular in thrifty Germany.

But letting Greece default has risks, too—mostly for the stability of the euro—and EU leaders are deeply reluctant to let the International Monetary Fund extend help. Many in Brussels believe that would be an embarrassing sign of weakness.

Mr. Van Rompuy did say the International Monetary Fund would provide expertise as the EU monitored Greece's progress.

The IMF welcomed European support for Greece and is ready to assist as necessary, a fund spokeswoman said Thursday.

"We welcome the support for Greece from its E.U. partners, which, together with policy actions undertaken by the Greek authorities, are important new steps in response to the challenges the country faces," said Caroline Atkinson, director of external relations.

The IMF is "prepared to offer expertise and support as necessary," she said in a statement.

—Joe Parkinson and Tom Barkley contributed to this article.

China's tiger farms spark a standoff

Economists propose legalizing sale of some animal parts, as poachers and shrinking habitat thin ranks in the wild

By Shai Oster

BEIJING—The Year of the Tiger starts Sunday. But China's dwindling population of wild tigers faces an uphill battle in making it through the next 12-year cycle of the Chinese zodiac.

With international attention focusing on the tigers' plight—including an international summit to be hosted in the fall by Russian Prime Minister Vladimir Putin—a pair of economists are proposing a market-based preservation solution that has riled some conservationists.

To curtail demand for poached animals, the economists suggest legalizing the sale of bones from some farm-bred tigers. In China, the bones are in high demand for use in traditional medicines such as rheumatism cures. Richard Damania, the World Bank's lead environmental economist in South Asia, estimates that tiger parts, including claws, skin and bones, can fetch up to $70,000 on the black market.

Such sales have been illegal in China since 1993, when Beijing joined a ban on international trade in tiger products. Before then, many tiger farms fed a demand for bones; after the ban, poachers and habitat destruction thinned China's ranks of wild tigers down to a few dozen. China today has about 6,000 tigers bred in captivity; world-wide, there are 3,500 tigers in the wild, down from 100,000 a century ago.

"No matter what you do, the economic models show this," said G. Cornelis van Kooten, a professor at the University of Victoria, in British Columbia, who studies conservation economics. "If you have these farmed tigers and you let them out into the marketplace, you could save the wild tigers."

In a paper last year , Mr. van Kooten and his co-author, Brant Abbott, proposed granting exclusive rights to a few of China's tiger farms to sell the animals' bones for medicine. The sales would help the farms fight poaching and smuggling, the authors say, adding that along with tougher enforcement and government backing, the legal tiger trade could ease poaching pressure enough for wild tiger populations to recover.

Many disagree with this thinking. "Proponents of tiger farming have based their support on flawed assumptions and on studies which do not fully grasp or reflect the realities of the illegal wildlife trade," said the Environmental Investigation Agency, a nonprofit wildlife group. Many conservationists favor closing the farms, seeing efforts to preserve wild tigers as a step toward protecting broader ecosystems.

Conservationists want China to shutter its tiger farms, which range from serious research centers to commercial concerns where tourists can pay to feed the animals live chickens or cows. Larger farms have giant walk-in freezers filled with hundreds of tiger carcasses—which breeders say they are holding on to in case the ban on selling parts is lifted.

Many tiger-farm managers declined to comment on the matter.

The World Bank's Mr. Damania said, "Tiger farming simply cannot solve the problems. Tigers are dying in the wild and breeding slowly because of insufficient prey—food that they need to survive—that is being poached and hunted."

The idea of culling a species to save it has some historical precedent. Messrs. van Kooten and Abbot point to the divergent fates of the sea otter and beaver. For 200 years, the Hudson's Bay Company held a monopoly on the beaver-pelt trade east of the Rocky Mountains in Canada. Pelt prices were high, the company was profitable, and beaver populations remained viable because the company had a vested interest in sustainable harvesting.

West of the Rockies was a different story. There British, American, Spanish and Russian trappers competed to kill sea otters.

But in 1824, Russian-American Convention on trade and changing consumer habits in china where the pelts were sold began to slow hunting. The economists say the competition drove the otter to the brink of extinction.

Mr. Damania questioned the assumptions underlying the argument for raising tigers.

"Farming works if the price of the poached product falls sufficiently so that poaching is no longer profitable," he said. " That's why you don't go hunting in the jungle for wild chickens—because it's cheaper to go to the supermarket. In essence. You've got to get wild tiger bone cheaper than the farmed bone—a big ask."

It costs at least $2,000 to raise a tiger bred in captivity—and $200 or less to kill a tiger, the World Bank estimates.

Mr. van Kooten disputes those figures, saying that poaching is much more costly and that farms could achieve economies of scale to decrease the price of raising a tiger.

China rejects efforts to close the tiger farms as beyond the scope of international endangered species trade bans. So far, Beijing has supported bans on selling parts, but suggests that more research is needed to see if partial lifting could work. In a recent interview, Yin Hong described China's ban on tiger bone medicine as a great sacrifice of ancient tradition that cost China's traditional medicine industry 2.3 billion yuan ($337 million) in losses.

Some Chinese zoologists say traditional preservation methods such as trying to enforce poaching bans or stop smuggling of tiger parts have failed to save the tiger, forcing a reconsideration of alternatives such as legalizing trade. The State Forestry Administration, China's wildlife and forestry agency, began looking into the issue in 2005 after tiger farms petitioned to reopen sales. Clinical trials of tiger bones' medical efficacy are also under review.

"To date, the result of these protection measures for wild tigers is unsatisfactory," the administration said in a written response to questions. "The number of wild tigers is declining rapidly, and they have come to the edge of extinction. In order to turn round the trend, we have to reflect on our current policies and measures aimed at protecting and managing tigers, and maybe to revise and better improve the current policy and measures." The statement added that the government continues to assess its options.

—Sue Feng in Beijing contributed to this article.

Reuters

A tiger at a breeding center in Harbin, China. Poaching and habitat destruction have thinned the ranks of wild tigers.

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India's Green Counter-Revolution

Few countries have benefitted more from the Green Revolution than India, which in the 1960s succeeded in averting famine by introducing genetically modified strains of wheat and rice. So it's a pity to see the government backsliding on the next generation of GM foods, this time in the form of a campaign against the humble egglplant.

Environment and Forestry Minister Jairam Ramesh announced Tuesday that he would halt indefinitely the commercial cultivation of genetically modified eggplant, known locally as Bt Brinjal. He cited a need to "build a broader consensus" so India can "harness the full potential of GM technology in agriculture in a safe and sustainable manner."

It's unclear what consensus would satisfy Mr. Ramesh. The eggplant in question, developed by a local Indian company that's partly owned by Monsanto, has been undergoing testing for a decade. India's own Genetic Engineering Approval Committee, composed of eminent scientists from across the country, approved the strain in October, adding it was "effective in controlling target pests, safe to the environment, nontoxic as determined by toxicity and animal feeding tests, non-allergenic and has potential to benefit the farmers."

Corbis

Which makes Mr. Ramesh's decree no small setback. India is the second-largest eggplant producer in the world. Its farmers lose around 40% of the crop annually to a pest that the genetically modified strain would have suppressed. Modern science could have increased crop yields, improved safety and lowered costs for India's poorest citizens.

Instead, Mr. Ramesh has resurrected a decade-old "Frankenfood" scare over GM foods. The Centre for Science and Environment in New Delhi dubbed Tuesday's decision "a question of public health, which can't be compromised at any cost." This represents the typical stance of green groups, who use the precautionary principle to argue against all genetically modified crops despite the scientific evidence of their safety.

In India, however, there is also a strong undercurrent of protectionism in this debate. For instance, Greenpeace India called for a halt to 41 other GM food crops under development in the name of "food security"—code for protectionism against foreign imports. In a statement explaining his decision, Mr. Ramesh, among other things, referenced "very serious fears" of "Monsanto controlling our food chain." That kind of raw populism doesn't encourage a serious debate.

Monsanto has been in the cross-hairs of NGOs in India before. Its genetically modified cotton, introduced in the country in 2002, sparked hysterical protests. Eight years later, India has doubled its cotton yields and is now the world's second-largest producer, behind China.

Tuesday's decision doesn't only affect Monsanto. It will discourage other foreign companies who want to sell biotech innovations into India, blunt the aspiration of native Indian entrepreneurs, and leave India's poor worse off as they await New Delhi's elusive "consensus."

The Eternal Stimulus

President Obama sold the $862 billion in stimulus spending as "targeted, timely and temporary." Critics said that was highly unlikely, and now the 2011 Obama budget has proven them right.

To wit, the White House is proposing to convert spending sold as a one-time economic boost into a permanent feature of future government growth. As both the Tax Policy Center and the Committee for a Responsible Federal Budget have pointed out, supposedly temporary parts of the stimulus—expansions of the earned income tax credit, the child tax credit and Pell Grants for college students—have now found their way into the budget baseline.

True to the way Mr. Obama has honored his campaign pledge of transparency, this news was buried in a footnote on page 170 of the budget's Analytical Perspectives.

The baseline normally reflects "current law," but the White House argues that this is unrealistic because Congress is never going to allow, say, the Alternative Minimum Tax to hit the middle class. Fair enough. But it also chose to smuggle these stimulus items into its definition of the "current policy" baseline and hoped that no one would notice.

The Responsible Federal Budget folks estimate that this fiscal sleight-of-hand would cost about $266 billion over 10 years, which by itself almost cancels out the White House's spending freeze.

The President's budget also asks for $25.5 billion to extend by six months the stimulus Medicaid bailout. The 4.9% federal spending increase was pitched as short-term relief for the states, but the White House seems to be trying to convert it, too, into a permanent part of the fisc. Keep in mind that this is separate from ObamaCare and arrives as the government's share of U.S. health spending crosses the 50% threshold.

Mr. Obama likes to pretend that he is the victim of a budget hit-and-run, as if the projected $1.3 trillion deficit in 2011 is all the fault of his predecessor. But President Bush didn't force the White House to request 1.8% of GDP more in new spending in 2011 than it did in 2010. Nor did Mr. Bush force the White House to assume that the stimulus transfer payments it created will be paid out into perpetuity.

What these budget details really show is that the stimulus was always more about promoting liberal policies than spurring economic recovery—which is why so many Americans are so angry.

The Committee to Save Greece

The EU's leaders met yesterday in Brussels for a summit that has quickly turned into the Committee to Save Greece. Earlier this week, German Finance Minister Wolfgang Schäuble set the bailout rolling by indicating that Berlin might accept some form of German debt-guarantee for Greek government bonds to avert default by Athens. Mr. Schäuble's declaration sent stock markets up and credit spreads in Europe down as investors cheered an easy way out for Greece, whose budget deficit hit nearly 13% of GDP last year.

> A German rescue is a Trojan Horse for the euro.

But a German-led bailout of Greece would likely be a Trojan Horse for the euro zone, smuggling in an implicit EU debt union not merely for Greece but all of Euroland. If Berlin guarantees Athens's debts, investors will understandably conclude that the EU stands behind the debt of Italy, Portugal, Spain and the rest of Europe's most profligate, regardless of protests to the contrary. Germany's credit line is good, but it isn't good enough to guarantee all euro zone public debt.

German fears of precisely this predicament are what led to the Maastricht Treaty's no-bailout clause, together with limits on total public debt (60% of GDP, in theory) and annual budget deficits (3% of GDP). But those commitments have been honored mostly in the breach, with Germany among the first countries to break the ceiling without consequence in 2003.

It's barely conceivable that a bailout accompanied by stringent conditions on the Greek government's ability to spend and borrow could restore some fiscal discipline to the currency bloc. But with Greek civil servants already in the streets to protest any slowdown in the gravy train, imposing restraint from Brussels or Berlin will be hard. This goes double if European governments conclude that default or a debt standstill are tantamount to the end of the world as we know it.

So far, fears of a full-blown debt crisis in Greece have sent Greek bond prices down and interest-rate spreads to as high as four percentage points over German bonds. But they have not led to a blow out of credit spreads in the private capital markets. This suggests that fears that a Greek default would cause another global financial heart attack, a la September 2008, are overblown.

The onus ultimately lies on George Papandreou's government to clean up the mess left by his predecessor. Greek government spending has gone to 52% of GDP from 45% in two years, a rapidity that suggests plenty of room to cut. Cutting government spending will hurt official GDP statistics but is far better for the Greek economy than tax increases. Former IMF economist Kenneth Rogoff recently pegged the black market in Greece at 30% of the economy, and rising, which strengthens the view that raising taxes will drive more business underground.

In this regard, Mr. Papandreou's current proposals are better than we might have feared. He's called for *cutting* the corporate income tax rate to 20% from 25%, which is exactly the sort of pro-growth tax measure that other countries could learn from. (Tim Geithner, call your office.) There are tax increases in the mix, including a steep one on dividends, but the top marginal personal income tax rate would remain unchanged.

If Germans realize the folly of guaranteeing Greek public finances, the next stop is likely the International Monetary Fund. This is also far from ideal, but ideal solutions are no longer an option outside of Plato's Republic. The biggest problem with an IMF rescue would be the fund's preference for "austerity" over pro-growth reform. But on the other hand, the fund could provide the political cover for painful cuts that the government won't make on its own.

Speaking of which, former World Bank chief economist Joseph Stiglitz may deserve the prize for playing the least constructive role in this crisis. He's been tapped by Mr. Papandreou as an economic adviser and has been telling anyone who would listen that Greece's public finances are fine and blaming the whole mess on "speculators." This is not only foolish but makes Mr. Papandreou's difficult task harder by providing cover to the public-sector malcontents who are holding out for more money the Greek government doesn't have.

Greece's problems are real, but they needn't be a calamity for the country or the euro. Unfortunately, the worst option available—a credit line or guarantee from Berlin, et al.—also seems the most likely. If Greece is set free to spend again, the crisis may be postponed, but it will be worse when it finally arrives.

OPINION

Hanoi's Problems Run Deeper Than the Dong

By Duy Hoang

The Vietnamese Communist Party is again in a pickle. Its economic management is on trial in the court of public opinion—and losing, as evidenced by a steadily falling black-market exchange rate that has forced Hanoi to periodically devalue the official rate, most recently by 3.4% yesterday. Inflation is rising again, to 7.6% in January compared to an earlier government projection of 7% for the entire year.

Economic unease is only part of a deeper crisis of legitimacy facing Vietnam's Communist Party.

Those economic pressures only add to Hanoi's other troubles. Whether it's public anger with Hanoi's handling of a territorial dispute with China or controversy over land seized from the Catholic Church, the Party has plenty of reasons to be uneasy. The result is a worsening crackdown on dissent.

Despite strong growth in the last decade, the economy is a particular problem. Hanoi responded to the global downturn with a major fiscal stimulus, driving the budget deficit last year to approximately 10% of gross domestic product. Much of the stimulus was funneled through state banks that lent to government-favored enterprises.

Instead of stimulating real growth, the excess money has caused prices to pick up. High inflation and unsustainable fiscal and trade deficits have spurred local residents and businesses to dump the dong for dollars and gold as state-owned enterprises grapple with increasing dollar debts.

The regime's supposed ability to manage the economy is one of its main claims to legitimacy. The economic unease is translating into action that challenges the government. According to official statistics, there were over 200 unsanctioned labor strikes in the last year, with several walkouts involving tens of thousands of workers. Sit-ins by rural residents protesting land confiscations have become a regular sight outside government offices.

Meanwhile the Party's other claim to legitimacy—that it will "put Vietnam first" relative to foreign powers according to the mythology it built while fighting the French and the Americans—is also open to question.

The controversy over a Chinese-invested bauxite mine in the central highlands crystallizes this issue. To many observers the mining plan makes no economic or environmental sense. The $15 billion project entails Vietnam mining bauxite ore and refining it into alumina—a low-margin input for aluminum—via a highly toxic process. The alumina would be exported to China. Vietnamese bloggers have alleged that Hanoi is proceeding with this venture for the personal enrichment of high-level officials and to placate China's need for mineral resources.

Associated Press

Activists Tran Huynh Duy Thuc (l.), Nguyen Tien Trung, Le Thang Long and Le Cong Dinh on trial, Jan. 20

Hanoi is also under pressure for its lax defense of Vietnam's claims to the Spratly and Paracel archipelagos in the South China Sea, which China also claims. Activists inside Vietnam have publicized the cases of Vietnamese fishermen fired on by Chinese navy vessels in Vietnamese waters, while state media often ignore the shooting incidents or mention them only obliquely.

Party leaders themselves understand the threat they face. Marking the Communist Party's 80th anniversary on Feb. 2, General Secretary Nong Duc Manh declared: "We are trying hard to maintain political stability and we struggle against all the maneuvers of hostile forces by preventing them from profiting from matters such as democracy, human rights, multiparty and pluralism to sabotage the Vietnamese revolution."

So the Party is cracking down. Since October, authorities have convicted 17 activists in a series of one-day trials for antistate propaganda, subversion and physical assault. The assault charge against renowned novelist Tran Khai Thanh Thuy is representative. She was accused of assaulting a neighbor. In reality, she and her husband were beaten by thugs with the support of police as her 13-year old daughter watched.

Yet so far the regime's opponents seem undaunted. The Internet helps, enabling Vietnamese to organize without official permission and to share ideas. While the regime has tried detaining bloggers, it cannot restrict the Internet too much because businesses depend on the Web. And if its restrictions go too far, the Communist Party risks alienating millions of Internet users, many of them the young, successful children of the ruling elite.

Last year Hanoi tried to curtail the hugely popular social-networking site Facebook. In November, authorities quietly ordered local Internet service providers to intermittently deny access to Facebook, to bleed the site of user interest. Traffic to Facebook plummeted initially but now Vietnamese users are back, having learned to circumvent the restrictions and because some Internet providers seemingly ignore the government decree.

There are also indications that highly organized hackers based in Vietnam, most likely the authorities themselves given the scale, have started attacking Web sites critical of the regime. The most prominent victim is Bauxite Vietnam, a site which has attracted around 20 million page views in less than a year for its opposition to the mining venture. But if the authorities try to shut down this movement they risk a rupture with a large segment of Vietnamese intellectuals, and perhaps some progressives within the regime.

While it is true that most Vietnamese citizens are not yet prepared to take to the streets, it is an open question how many will actively support the current system if the economy continues to deteriorate and sovereignty issues linger. This week's currency devaluation is only a symptom of a much larger instability.

Mr. Hoang is a U.S.-based leader of Viet Tan, an unsanctioned pro-democracy political party in Vietnam.

Kaizen Goes Kaput

By Darius Mehri

For over two decades, Toyota's management strove toward the day the company would unseat General Motors as the world's No. 1 automaker. The company's consistent ability to produce high-quality vehicles and sense trends to break into a wide variety of market niches enabled its eventual rise to the top spot. Now the prize looks like a poisoned chalice.

Toyota's current recall troubles have justifiably shocked customers who believed their cars were near perfect. But I am not at all surprised to learn that quality issues lurked beneath the company's pristine brand image. I worked as a research and design engineer in the engine department for a Toyota subsidiary in Japan for over three years in the late 1990s, and observed firsthand the flaws in the vaunted Toyota Production System and *kaizen*, a word meaning continual incremental improvement that has become emblamatic of Toyota's engineering approach.

Although one of the main tasks of engineers at the company was to come up with ways to improve existing product designs, I learned early on that kaizen had a fairly narrow application. It was mainly used to tweak designs to improve product performance. These techniques ensured increased market share for the company because buyers could immediately see the results of the improvements in new models. But some of the most complex engineering design processes—and the ones that tend to fail—are under the hood and out of sight of most owners.

For instance, producing a high-quality engine involves designing software that controls the combustion process to meet strict emissions standards and seamlessly integrating it into an array of complex electronic devices in the vehicle. In the case of the accelerator recall, managers likely did not expect pedal technology to influence market share, so it was unlikely to have been put on the parts-to-improve list.

There is certainly something to be said for the Toyota Production System, which is based on the idea that everyone, from the design engineer to the factory worker, is actively involved in the fate of its products by challenging each other, collectively improving designs and resolving quality issues. This is supposed to instill a corporate culture that focuses on teamwork and "respecting" employees. Toyota boasted that it was one of the few companies able to implement a rigorous corporate policy based on quality while preserving a humane work environment.

Toyota pioneered 'continual incremental improvement,' but then focused on improving the wrong things.

Toyota learned early on that kaizen and quality are linked because it is rare for engineering teams to design products that are flawless the first time around. For instance, I was impressed when a lead engineer in my section was flown to Pakistan on short notice to gather information on a new engine that was failing due to desert sand wearing out the inner components. When he returned, his team ran an analysis and within a few months the problem was fixed. Very few companies have the inclination or the ability to redesign and retool the manufacturing of a product in such a short time.

In most cases however, kaizen was driven by a fanatical emphasis on increasing market share. This policy had a dramatic impact on the work environment and the way kaizen was applied.

Likewise, the Toyota Production System involved a punishing amount of work for its employees and parts suppliers. Projects required meeting strict design and quality goals with unyielding deadlines. It was not unusual for engineers to put in 16-hour days for several months. I remember one engineer who frequently dozed off at his computer while working on an engine analysis. Working in teams where engineers would help each other with their design work helped but it was never enough. Under conditions of unrelenting overwork, it is simply too hard for engineers to produce products without design flaws and too easy for managers to hide those flaws.

Overwork was common at most Japanese companies at that time, and from what I understand this has not changed. This is one of the main reasons for quality problems in Japanese products. Americans however rarely hear of these problems because the products are either redesigned, never make it to the American market or are discontinued. Even in the most egregious cases that involve death, it is rare for Japanese citizens to succeed in class-action lawsuits against corporations, so most companies are lax when it comes to product liability issues.

In order to recapture consumer confidence, Toyota must release all the information about the process that led to the design flaws and punish those who may have hidden the problems from the public. In the long run, the company needs to restructure its employment practices to allow engineers more time to design high-quality products. This policy will require less emphasis on gaining market share, and more emphasis on building a healthy and productive work environment.

Mr. Mehri is the author of "Notes From Toyota-Land: An American Engineer in Japan" (Cornell University Press, 2005).

Comments? The Journal welcomes readers' responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

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U.S. Marines fight insurgents Thursday in Marjah, in southern Afghanistan's Helmand province.

Agence France-Presse/Getty Images

Afghan officials woo residents before beginning of U.S. assault

Outreach to village elders, part of strategy to win hearts and minds, yields a mixture of promises and skepticism

By Matthew Rosenberg And Habib Zahori

KABUL—Top Afghan officials made a final effort to win over the people of the Taliban-dominated Marjah region ahead of an expected U.S.-led assault. The result: Some tribal elders pledged to cooperate with coalition forces once the shooting starts, but some remained skeptical of the government and its Western backers.

Afghan and allied commanders plan to use the Marjah offensive as a showcase for their shift in focus away from simply killing Taliban and toward protecting civilians and improving local governance, where entrenched corruption has bolstered support for the militants.

"If Marjah is out of government control that is the government's fault because the central government abandoned us," said Abdul Ahad Helmandal, one of the 150 tribal elders who attended the talks, in a telephone interview after the meeting. "Widespread corruption in the government caused people to stopped trusting the central government."

As the talks took place, Taliban fighters skirmished with troops from the Afghan-U.S.-British task force arrayed on the edge of Marjah, a once sleepy collection of poor villages in southern Afghanistan that is now the focal point in the first phase of the latest U.S. surge.

Marines, who engaged small bands of Taliban, said they thought the militants were trying to draw them into the larger fight before the allied forces were ready, according to the Associated Press. No casualties were reported.

Officials haven't said when the offensive will begin but have publicized the fact that it is in the offing, as part of the effort to drive out militants before fighting begins.

The talks between tribal elders, Afghan officials and North Atlantic Treaty Organization officers took place in Lashkar Gah, the capital of Helmand province, near Marjah.

The meeting was described by those who attended as a last effort to make sure tribal elders from Marjah knew the Afghan government, backed by NATO forces, would soon be back in control and to give them a chance to find a place in the new order.

The meeting concluded with many of the tribal elders saying they would return to Marjah and ask Taliban to lay down their weapons and hand the area over to the central government, said Muhammad Qaasim Noorzai, who runs the tribal and frontier department for the government of Helmand province.

Some tribal elders also said they would aid coalition forces once the offensive begins, he said.

NATO and Afghan officers were encouraged by those developments, although few believed that an outright Taliban surrender was likely.

Instead, they were banking on a few tribal elders to draw some fighters from the militants.

"It's kind of like having a motorcycle gang there which your kids are part of; you can't deliver the whole thing," said a senior NATO officer in Afghanistan.

Marjah is described by Afghan and U.S. commanders as a strategic slice of territory, even if most of its Taliban defenders are now believed to have fled ahead of the well-advertised offensive.

Taking the territory will move the coalition a step closer toward evicting the Taliban from its heartland, an arc of territory that is home to more than 80% of southern Afghanistan's people, they say.

Just as importantly, the Marjah operation is being held up as a test for the Afghan army and government. The army is playing a major role in the offensive; the government will have to prove it can quickly set up a clean and relatively well-functioning local administration.

In exchange for pledges of support form the tribal elders, Afghan officials who attended the *jirga*—as such gatherings are known in Afghanistan—promised to provide jobs and money to locals through the incoming administration of Marjah. Marjah has has no paved roads and few working schools or clinics.

"This operation does not have only a military side...we will help the people and provide them development projects like clinics, schools and roads," Interior Minister Hanif Atmar said after the meeting.

The interior minister promised that the government would hire 1,000 men in Marjah to be police once the fighting was over. He also said some of the tribal elders had agreed to set up a council, known as a shura, to share out government projects in Marjah.

The tribal elders, for their part, demanded that primarily Afghan forces be used to search houses during the offensive.

They also said they would prefer that coalition forces stay inside the villages—and not decamp to remote bases—once the fighting is over.

—Arif Afzalzada contributed to this article.

IN DEPTH: AFGHANISTAN

New battles test the U.S.'s strategy

Focus on safeguarding civilians frustrates troops; line between peaceful villager and enemy fighter is often blurred

By Yaroslav Trofimov

PASHMUL, Afghanistan— When the first Taliban shots at the U.S. Army patrol cracked from behind the tree line, an Afghan villager who had just been talking to the soldiers crumpled into the mud.

An Army medic rushed to help the man, apparently a civilian caught in the crossfire. But hours later, at the American base where the victim was taken for treatment, troops found in his pocket the polished dog tag of an American soldier killed three weeks earlier.

As fighting intensifies here in southern Afghanistan, the central tenet of the U.S. counterinsurgency strategy—to protect Afghan civilians—faces a fundamental test: how to separate these civilians from the insurgents in places where much of the population backs the Taliban cause. Across southern Afghanistan, including the Marjah district where coalition forces are massing for a large offensive, the line between peaceful villager and enemy fighter is often blurred.

American troops have dubbed Pashmul, a cluster of villages sprawling across the fertile belt of grape and poppy fields west of Kandahar city, "the heart of darkness."

Capt. Duke Reim, commander of the American unit responsible for Pashmul, estimates that about 95% of the locals are Taliban or aid the militants. District Gov. Niyaz Mohammad Serhadi agrees. "People here are on the side of the insurgency and have no trust in the government," he says. "Insurgents are in their villages 24 hours."

Since assuming command of coalition troops last summer, U.S. Gen. Stanley McChrystal curtailed airstrikes, limited house searches, and put the onus on winning the population's trust. Forgoing some attacks on the Taliban to spare Afghan civilians, the counterinsurgency theory goes, would eventually convince the local population to side with the U.S.-led coalition and Afghan authorities. In the meantime, however, new restrictions on American firepower can also exact a steep toll in American lives—and give the Taliban a tactical advantage.

Among front-line troops, many of them used to more liberal rules of engagement in Iraq, frustration is boiling over. "It's like fighting with two hands behind your back," says Sgt. First Class Samuel Frantz, a platoon sergeant in Capt. Reim's unit, the Charlie Company of the 1st Battalion of the 12th Infantry Regiment. "We're so worried about not hurting the population's feelings that we're not doing our jobs."

Some of the Afghan war's biggest and bloodiest battles were fought around Pashmul in 2006, as the small Canadian contingent responsible for Kandahar province shot its way into the village, incurring steep casualties, just to pull out later. Abandoned by most of its residents, this once prosperous area has been reduced to a landscape of crumbling ruins amid booby-trapped fields where the bomb craters turn into small lakes after rains.

American forces started pouring in here last year. to reinforce the Canadians. Charlie Company two months ago established a permanent outpost in Pashmul, aiming to disrupt the flow of explosives and militants between Kandahar city and nearby Helmand province, which includes Marjah.

Lucian Read for The Wall Street Journal (2)

A trooper patrols Zhari district, near Kandahar, above. Soldiers seek unpredictable, if more difficult, routes to avoid the explosives planted on patrol paths. At right, a Charlie Co. soldier alerts aircraft to the presence of friendly forces.

Facing the outpost is an abandoned compound from which the soldiers often take fire. When Charlie fought in Iraq, such a compound would have been long obliterated. Here, the soldiers are still waiting for permission to destroy Afghan property.

Whenever Charlie soldiers leave the outpost, they face a daunting terrain of chest-high mud walls that prop up grapevines, turning the fields into a labyrinth of slippery trenches. The Taliban bury improvised explosive devices, or IEDs, along the pathways—so the soldiers jump across walls to take the most unpredictable path when they patrol.

Helicopters are indispensable in hunting down the squads that plant IEDs—the cause of the company's four fatalities and of most of its 14 serious injuries on this deployment. But, after Kiowa choppers fired rockets at two people spotted digging near road culverts at the end of last year, an angry delegation of Pashmul area elders descended on the battalion headquarters, demanding an end to overflights.

"Villagers were just livid with me," says the battalion commander, Lt. Col. Reik Andersen. "Because so much lethality was going on, they said that the kids are crying, the women are scared" whenever choppers appear in the sky.

Attempting to win local support, Col. Andersen says he promised to the elders that the helicopters would stay away unless called in for a specific incident. He also ordered that villagers spotted digging near culverts be scared away with smoke rather than killed.

"Could that guy be emplacing an IED? He could be. Is he? Unlikely," Col. Andersen says. "Killing 10 civilians to get one Taliban—that mentality is gone. We want to be darn sure that we're killing the right people." Mr. Serhadi, the district governor, says the delegation of elders had gone to see Col. Andersen on the orders of the insurgents. IED activity has continued unabated in the area since then. Two villagers died in recent weeks after stepping on buried home-made bombs near the Pashmul outpost, and an American contractor lost a leg.

Between patrols, soldiers openly speak of being betrayed. "It doesn't matter if we get killed—we're here to die," says Lt. Mark Morrison, 24 years old, the leader of the second platoon. "Our lives are not valuable enough to protect." As Lt. Morrison's platoon gathered for a patrol, his soldiers traded gallows humor about losing limbs in coming hours. "Look at it this way—if you get prosthetic legs, you get to be taller," one told a shorter comrade-in-arms.

On a recent patrol, the troops came upon a crater from an earlier IED. Lt. Morrison ordered his men to knock down the upper part of a mud wall fringing the path, so that anyone burying explosives there could be seen from the outpost.

Soon afterward, an angry field owner, Ghulam Farooq, confronted the Americans. "Why are you destroying the wall? If there is no wall, the sheep and the goats will come into my field," he said.

"I'd rather cut down a few trees and break a few walls so that the bad guys stop coming here and placing the IEDs," Lt. Morrison answered.

Hearing the translation, Mr. Farooq broke out in sarcastic laughter. "What's so funny?" Lt. Morrison demanded. The villager snuffed out his laughter, but didn't respond. Moments later, explosions rang out in the distance. The lieutenant's radio operator, Pfc. Justin Jun, shuddered. "Why does everything have to blow up in that country?" he asked, and vaulted himself over yet another mud wall.

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ONLINE TODAY: See photos from Afghanistan at **WSJ.com/World**

FROM PAGE ONE

Hong Kong's Kissel verdict is overturned

Continued from first page
already served, she could be set free immediately or soon after a new trial is completed, he said.

On Thursday, a spokesman for Hong Kong's Department of Justice said only that a new indictment on a count of murder would be filed against Ms. Kissel. Even if prosecutors balk at lowering the charge, Ms. Kissel and her lawyers would likely seek acquittal of the murder charge by mounting a completely new defense strategy.

In the original trial, Ms. Kissel and her lawyers argued that she killed her husband in self-defense after he came at her with a baseball bat. During the trial, they characterized Mr. Kissel as a violent cocaine user who had sexually abused his wife for years.

Mr. Clarke said that in any new trial, Ms. Kissel's lawyers would be more likely to pursue a defense of "diminished responsibility," which essentially argues that Ms. Kissel was mentally impaired at the time of the killing.

Mr. Clarke said that in a retrial, "this would be the quickest way for her to get out of prison," and, as with a reduced charge of manslaughter, could lead to her being set free immediately or soon after a new trial is completed.

To be sure, there's no indication prosecutors would pursue lesser charges, and Ms. Kissel could still lose on a murder charge with a new strategy, sending her back to prison for life.

Lawyers said they expect the retrial to go forward late this year.

An early release following the overturning of a murder conviction has precedent in Hong Kong—and one set in part by one of Ms. Kissel's lawyers, Gerard McCoy, who has led her appeal. In 2000, appeal judges overturned a murder conviction against Philippine socialite Maria Remedios Coady, who was serving a life sentence for murdering her Swiss lover.

Mr. McCoy argued that the judge in that case didn't properly instruct the jury to consider whether Ms. Coady had been provoked into killing him. Ms. Coady ended up serving a sharply reduced sentence after charges were lowered to manslaughter.

Some legal experts said they think the Kissel case could influence future criminal trials. Luke Marsh, a law professor at Chinese University of Hong Kong, said the case also raises the issue of media coverage and whether Ms. Kissel's trial "was unduly prejudiced" ahead of the verdict.

"Nancy Kissel is known around the world as the 'milkshake murderess' and one might argue how she could possibly have a fair trial in those circumstances," said Amanda Clift-Matthews, a U.K. lawyer working pro bono for Nancy Kissel's family.

The Kissel case mesmerized Hong Kong for weeks by casting a light onto the darker side of a world inhabited by the city's tight-knit community of wealthy bankers and financial professionals. In addition to the lurid details, the case prompted some to characterize the killing as a consequence, if extreme, of the strain that the stress-laden, fast-paced world of high finance places on expatriate marriages in Hong Kong.

After the killing, some friends rallied around Ms. Kissel, a well-known fixture of expat events and parent-faculty meetings at her children's elite private school. One person said he and other friends met with her for coffee shortly before her trial to bolster her spirits, while others contributed money toward her bail.

"There are no words big enough to express how overjoyed I am. I'm crying with happiness and calling everyone I know," said Lori Jawitz, a friend and neighbor of the Kissels before moving back to New York.

But many expats say they didn't expect the court to overturn the conviction, especially as a lower appeals court refused her appeal last year. "It sounded like a pretty open and shut case," said Justin McLennan, who works for a search firm in Hong Kong.

In arguing for an appeal, defense lawyers claimed that prosecutors relied too heavily on hearsay evidence that shouldn't have been allowed in the trial. They also alleged that the judge in the original trial misdirected the jury in considering her plea of self defense.

Some close to Ms. Kissel have questioned whether Ms. Kissel and her lawyers should have argued mental impairment in the initial trial, as it may have avoided the life sentence she ultimately received for murder.

But Mr. Clarke defended the decision to go for an outright acquittal on grounds of self defense. "It was a cutthroat defense to achieve an outcome that would have allowed her to be with her children," he said.

Ms. Kissel's three children are currently in the custody of Robert Kissel's sister.

—Jonathan Cheng and Lam Vo contributed to this article.

Key players in the Kissel drama

Nancy Kissel
A native of Michigan, now 45, she was found guilty in 2005 of murdering her banker husband at their luxury Hong Kong apartment complex.

Robert Kissel
A former investment banker for Merrill Lynch, his wife admitted to killing him in Nov. 2003 but her lawyers argued it was done under provocation and in self-defense.

Andrew Li
Chief justice of Hong Kong's Court of Final Appeal, who delivered the 111-page decision overturning Nancy Kissel's 2005 conviction. This will be his last year as the top judge on Hong Kong's highest court.

Gerard McCoy
A lawyer for Nancy Kissel, he has led her appeal efforts and won her case Thursday by arguing among other things that evidence used in the original trial should have been inadmissable.

Kevin Zervos
He led the government's team in its unsuccessful effort to fight the latest appeal.

Source: WSJ reporting
Photos: Agence France-Presse (McCoy), Associated Press (Robert Kissel), Bloomberg News (Nancy Kissel, Zervos), European Pressphot Agency (Li)

Video declares 'war' on China's Web censorship

Continued from first page
The other characters explain that they are afraid to speak out. But "silence absolutely doesn't mean obedience," they say, before sending Kan Ni Mei virtual bursts of energy that he uses to slay the Green Dam-wielding villain.

China's limits on Internet expression have become a hot topic globally in recent weeks.

The government since last year has stepped up its controls by closing domestic Web sites, blocking foreign ones like Twitter and YouTube, and arresting online dissidents.

Last month, **Google** Inc. threatened to leave the Chinese market, in part because of frustration over censorship, and U.S. Secretary of State Hillary Clinton vowed to make fighting Web controls like those Beijing uses a priority of American foreign policy.

Within China, a country with a long history of political debate through allusion, the protests against censorship are sometimes less than explicit, but no less pointed. And if anything, the government's recent crackdown seems to have increased the spirit of defiance among many Internet users who bristle at the constraints imposed on them.

A small-but-growing number among China's nearly 400 million Internet users—the most of any country—are using proxy servers and other tools to "fan qiang," or "scale the wall" of government censorship tools that interrupt access to many overseas sites.

The biggest object of ridicule in "War of Internet Addiction" is clear: "Harmonious" is the watchword of China's current Communist Party leadership, which talks about "harmonious society" to describe its aim of eliminating social unrest, in part by stifling dissent. Chinese Web users frequently use "harmonize" as a euphemism for censorship.

The movie includes jokes about many controversial topics, such as tainted food, soaring home prices, and a bitter class controversy that erupted last year after a wealthy driver ran down and killed a poor young pedestrian. A common theme is frustration over injustice and a sense of powerlessness.

The movie follows Kan Ni Mei and fellow gamers as they seek ways to continue playing World of Warcraft in China. In real life, access to the game in China has been disrupted for months as its Chinese operator, Netease.com, waits for regulators to approve it.

The video reserves special scorn for officials and others who criticize videogames as addictive and destructive for young people. The villain who hero Kan Ni Mei destroys in the climactic scene is called "Crying Beast Yang Yongxin," named after a Chinese psychiatrist who has been outspoken against "Internet addiction" and who has run clinics that have been accused of using shock therapy to treat the supposed affliction.

"War of Internet Addiction," which was made in December and January, has been enormously popular since it hit the Web last month.

Kaiser Kuo, a consultant for Youku.com, one of China's most popular online video Web sites, says the video was an instant hit, and estimates it has attracted at least several million views.

The video has spawned extensive analysis and commentary, with some viewers saying it brought them to tears. The response from viewers was "overwhelmingly positive," Mr. Kuo said.

Despite its subversive theme, the video was yet to be censored itself—at least as of late Thursday.

What content censors choose to expunge—and when—is often mysterious, because the government doesn't make its policies public.

One explanation: that the government might be hoping to avoid making the movie a greater cause célebre than it already is.

"War of Internet Addiction" was the brainchild of a Chinese World of Warcraft enthusiast who goes by the alias "Corndog." Corndog hasn't disclosed his real name, and he declined an interview request from The Wall Street Journal.

In interviews with Chinese media, though, he has said he produced the film with about 100 online volunteers.

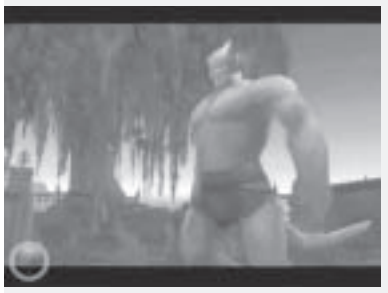
The group would "shoot" scenes for the movie within the game while on an Internet-based conference call, with Corndog directing people on what to make their game characters say and do.

Corndog said he made the video for fellow World of Warcraft players, and didn't expect it to resonate with a wider audience.

"The last part of the video moved many people, including those who do not play the game, since we actually live in the same society and we are facing the same Internet environment," he said in an emailed response to questions from a Phoenix TV reporter last month. The strong response "should make decision-makers ponder."

The movie concludes with a sobering warning for opponents of Internet control. As celebration breaks out after the climactic victory of Kan Ni Mei and his allies over Crying Beast, the Harmony computer system warns them that "This war will never end."

Unruly spirit | Battle over Internet freedom in China via online video



Kan Ni Mei, the hero of "War of Internet Addiction," a 3D computer-animation movie about defying Internet controls.

The movie is told in a string of references to Chinese Internet culture as well as famous films such as "The Terminator" and "E.T."

Kan Ni Mei and his team band together to defeat a villain called Crying Beast Yang Yongxin.

Toyota dealers offer discounts to drive customers to showrooms
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A more-dovish BOK chief? Oddly, it's hard to imagine
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Rio Tinto posts 33% jump in profit

Strong results come as China confirms impending indictment of four of Anglo-Australian miner's employees

Mining giant **Rio Tinto** PLC reported an unexpectedly strong jump in 2009 earnings and gave an upbeat assessment of the outlook for commodities demand, partly due to strong demand from China, where four of the company's employees are facing charges of bribery and obtaining commercial secrets.

*By **Chuin-Wei Yap** in Beijing, **Alex Wilson** in Melbourne And **Rachel Pannett** in Canberra*

"We believe that the factors that drove price recovery in 2009 will continue through 2010," Rio Tinto Chairman Jan du Plessis said Thursday. "We expect that China will grow at over 9%, and the emergence of [the leading industrial countries] from recession will provide further support."

His comments came as China's foreign ministry rebuffed questions about the country's legal process arising out of the charges against the Anglo-Australian company's employees. Rio Tinto and the Australian government have called for a speedy and fair trial of the four men.

Ministry of Foreign Affairs spokesman Ma Zhoaxu on Thursday confirmed their impending prosecution, though he declined to comment on the date of the trial.

Rio Tinto, meanwhile, reported full-year profit rose 33% to US$4.87 billion last year from US$3.7 billion in 2008, when results were hurt by a US$7.9 billion write-down of the miner's aluminum business. The results capped a turbulent year with what some analysts called a turnaround. The company didn't disclose quarterly or half-year results.

In London, Rio Tinto's shares rose 2.4% to 3,216 pence, or about US$20.63.

Some analysts pointed to the underlying earnings, which were down 39% but still were better than some expectations, as well as a drop in debt. Rio Tinto started the year burdened with US$38.7 billion of debt from its top-of-the-cycle takeover of aluminum producer Alcan, and then found itself at loggerheads with China after walking away from a planned tie-up with Aluminum Corp. of China and clashing with its biggest customer in heated iron-ore price talks.

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Bloomberg News

Rio Tinto's Sam Walsh, shown last year, expressed concerns on the prosecution.

Uniqlo parent Fast Retailing pursues global deals

By Mariko Sanchanta And Juro Osawa

TOKYO—**Fast Retailing** Co. Chairman and Chief Executive Tadashi Yanai said the operator of Japanese retailer Uniqlo is on the hunt for acquisitions and has set its sights on spending as much as $11 billion to strengthen its global presence.

Mr. Yanai, who founded the Yamaguchi-based purveyor of cheap-and-chic clothes in 1984, has made no secret of his ambitions to transform Uniqlo into the world's leading global apparel retailer, leapfrogging the likes of **Gap** Inc. and H&M operator **Hennes & Mauritz** AB. He said in an interview Thursday that acquisitions would be necessary, particularly in the U.S. and Europe, to reach that goal.

"For a company like ours, it's not unusual to spend 1 trillion yen (about $11 billion) or more," he said adding, "We could grow organically, but it would take a long time."

"It's like getting married," he said, adding, "we need to find the ideal bride for us."

Although Mr. Yanai didn't mention any specific acquisition targets, "the bigger the better," he said. The target company wouldn't have to be similar to Uniqlo in terms of products, but it would have to accept Fast Retailing's management philosophy, he added. "We shouldn't buy a company that we can't control," he said.

Mr. Yanai didn't detail how it might raise 1 trillion yen, though the company is in secure financial position. In the year ended in August it had roughly $1.8 billion in cash and about $2.8 billion in net assets.

Fast Retailing, Japan's No. 1 apparel retailer by sales, contrasts with other major Japanese companies that are seeking to expand abroad but have less access to cash amid the economic decline in their home market. Its ambitions come as Japan's traditional icons, such as Toyota Motor Corp. and Japan Airlines Corp., face quality questions and financial difficulties, respectively.

"We are a new kind of Japanese company," said Mr. Yanai, who is one of Japan's richest men. He added, "What happened to Toyota is a great shame. The company is a source of pride for the Japanese."

Mr. Yanai said the company has learned from its past expansion mistakes. Earlier in the decade Uniqlo closed some U.K. stores and closed its small number of U.S. locations amid disappointing sales. Mr. Yanai said the success of its lone remaining U.S. store since it opened in 2006, in New York's trendy SoHo district, convinced him further expansions should center on major urban areas that are more accepting of foreign brands.

He said company's acquisition strategy includes finding a foothold for its Uniqlo brand, which is known for simple offerings such as tunics and leggings, and obtaining more global brands.

Please turn to page 18

Associated Press

'We could grow organically, but it would take a long time,' says Tadashi Yanai, chairman and CEO, shown at the opening of the Paris branch of Uniqlo last year.

India frets over foreign power links

Use of domestic resources is urged as tighter visa rules trim electricity projects' reliance on Chinese workers

By Amol Sharma

MUNDRA, India—India is trying to rein in its heavy reliance on China to help it expand its power sector, casting a shadow over what has been a healthy partnership within the often-tense relationship between the giant neighbors.

India is pushing to meet a 2012 goal to boost its electricity output by 60% compared with 2007, to reduce its shortages and help fuel a growing economy. It has turned to low-cost Chinese contractors to help meet that target because it doesn't have enough of its own equipment and engineers, and U.S. and European suppliers are expensive.

Chinese companies are supplying equipment for about a quarter of the new power capacity India is adding to its grid, up from almost nothing a few years ago. They have sent thousands of skilled workers to Indian plant sites, some of which boast Chinese chefs, Chinese television and ping pong.

Now India is scaling back cooperation with China and seeking to build up its own capabilities. The Central Electricity Authority, India's top planning body for power projects, recently asked government-controlled power companies to use Indian equipment on all coming big projects. The government is also considering a plan to tax Chinese power imports.

Prime Minister Manmohan Singh's aides have told power regulators to make sure India has enough spare parts on hand to fix Chinese equipment when it needs repairs, according to a person familiar with the discussions. "It's better that we depend on our own capabilities rather than depend on those from the outside," Rakesh Nath, chairman of the Central Electricity Authority, said during an interview.

India has made it tougher for its companies to bring in foreign workers for contract labor, a change that has had a significant impact on the energy sector.

Last fall, the government tightened visa regulations in a move that forced at least 3,000 Chinese power workers to leave the country, slowing progress at many plant sites. Then in December, India adopted strict new limits so that no more than 1% of a project's work force can be foreign nationals, with a ceiling of 40 workers for power projects.

Sanjit Das/Panos for The Wall Street Journal

Indian officials say they want to increase local capability in lieu of Chinese expertise in the construction of power plants, such as this site in Mundra. Chinese firms have sent thousands of skilled workers to Indian power-plant sites.

China's Ministry of External Affairs has "expressed concerns to India on many occasions" about the visa issue, a spokesman said. "In order to implement these projects successfully ... they need to have the necessary technicians from China."

Shandong Electric Power Construction Corp., or Sepco, one of the most active Chinese power-plant builders in India, had 300 Chinese workers last year helping to build a $4 billion plant in the small town of Mundra, on the northwestern coast of Gujarat state. About 100 had to leave last fall after the Indian government said business visas weren't valid for such projects.

Some workers are applying for re-entry on employment visas but are struggling. Sepco has scrapped its original plan of ramping up to at least 1,000 people in Mundra.

With the limit of 40 workers per project, "it will be very difficult to make enough progress on projects," said Li Wei Wei, a Sepco translator who has helped colleagues deal with immigration issues.

The Indian government says restricting Chinese imports will give domestic manufacturers a chance to ramp up production. The country's main plant supplier, **Bharat Heavy Electricals** Ltd., can service only about half the power capacity India is planning to add every year. But it plans to double its production to service 20,000 megawatts of power by 2012. Other companies are entering the power-equipment market, such as a planned joint venture of **Alstom** SA of France and **Bharat Forge** Ltd. of India.

Indian power-generating companies such as **Adani Group**, **Reliance Power** Ltd. and **KSK Energy Ventures** Ltd. haven't picked Chinese vendors just because of their discount prices. Chinese engineers have plenty of experience building coal-fired plants, India's main source of power. China generates more than 80,000 megawatts of power a year, about 20 times as much as India.

The arrangement also makes sense for China, which has excess capacity to sell. "India is developing very quickly and badly needs power plants, so we Chinese are here to help," said Wang Zhexian, a senior engineer at Sepco, which was hired by Adani Group to build a coal-fired plant in Mundra. "They've never worked on this kind of plant. It is important that we teach the Indian workers."

The experience hasn't always been good. Three Sepco employees were arrested early this year in connection with the collapse of a 250-meter chimney in September at a power plant the company was building in the heartland state of Chhattisgarh. The incident left 40 people dead. The Chinese workers' plea for bail was rejected and they are in jail awaiting trial, according to the public prosecutor in the case. The workers have yet to enter a plea. Efforts to obtain Sepco comment were unsuccessful.

But overall, Indian executives say Chinese workers are bringing a critical edge that is now at risk. D.P. Joshi, the Adani executive in charge of construction in Mundra, says Chinese engineers have experience building plants based on "supercritical" technology, where elevated steam pressure creates a more efficient thermal cycle and lowers costs. And the Chinese companies, he said, can be counted on to deliver materials and engineers quickly.

"Any private player—the one thing he wants is delivery. He wants it on time if he's putting up so much money," Mr. Joshi said.

Mr. Nath of the Central Electricity Authority acknowledges that Chinese expertise has been important. "We don't have that amount of skilled manpower in the country," he said. "That's something we'll have to build up."

Adani, a conglomerate with revenue of $5.7 billion and interests ranging from precious-metals trading to vegetable oil, plans to produce 20,000 megawatts of new generating capacity by 2020 through coal-fired plants as well as gas and renewable projects. The Mundra plant, which is being built on 700 acres of barren land in the arid Kutch region of Gujarat state, is scheduled to be completed by 2012.

It will generate 4,620 megawatts of power to help ease shortages in western and northern India. When it came to awarding supplier contracts, the company chose Chinese vendors almost exclusively.

—Arlene Chang and Gao Sen contributed to this article.

WSJ.com

ONLINE TODAY: See photos from Adani's plant under construction in Gujarat, plus video about the community of Chinese workers, at **WSJ.com/World.**

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Businesses

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Corrections & Amplifications

Taiwan Semiconductor Manufacturing Co. said it would apply to take the 10% stake in China's **Semiconductor Manufacturing International** Corp. offered to it as part of a legal settlement. A Business & Finance article Thursday on lower investment barriers for Taiwanese companies in mainland China incorrectly said TSMC would apply to buy the stake.

Bocom International Asset Management Ltd. is a unit of China's state-owned **Bank of Communications** Co. A headline accompanying a Markets article Thursday incorrectly said Bocom is an arm of Bank of China Ltd.

Renault posts loss, expects tough 2010

By David Pearson

PARIS—French car maker **Renault** SA on Thursday said its business will remain difficult this year because of an expected decline in the European auto market, after it swung to a big loss for 2009 as sales sagged and it booked losses from partners **Nissan Motor** Co. and **Volvo** AB.

The company has forecast a 10% decline in the European auto market this year and didn't give any earnings guidance beyond stating that its objectives are to generate positive free cash flow and to continue reducing debt.

Renault posted a net loss of €3.13 billion ($4.29 billion) for 2009, compared with a net profit of €571 million in 2008. The net loss for the second half of the year was €356 million.

Half of last year's red ink, or €1.56 billion, came from Renault's 44% equity interest in its Japanese alliance partner, Nissan, and its 21% stake in Swedish truck maker Volvo.

Revenue fell 11% to €33.71 billion, on the back of a previously reported 3.1% decline in Renault's global sales of cars and vans to 2.31 million vehicles.

The European car market suffered a severe downturn in the first half of 2009 as sales sagged because of the economic downturn, but the market picked up in the second half as government incentive schemes designed to prop up the industry helped sales increase. However, a further decline in sales is expected this year as those incentives end or wind down. Renault said it recorded a 25% revenue increase from a year earlier in the last quarter of 2009.

Earlier this week, Nissan reported it had returned to a quarterly profit in the three months ended Dec. 31 and raised its earnings guidance amid signs the automobile industry is emerging from its slump.

Renault generated €2.09 billion of free cash, or the cash left over after capital expenditures, in 2009, allowing it to reduce the net debt of its automobile division by €2.02 billion to €5.92 billion.

Chief Financial Officer Thierry Moulonguet said reducing debt remains the "absolute priority" for 2010. He said Renault and Nissan expect to extract another €1 billion in savings this year after €1.5 billion in 2010. Cash-flow generation will be helped by further cost reductions, Mr. Moulonguet said, and the company's world-wide head count will be reduced by another 4,000 this year through attrition. At the same time, the company is keeping a lid on investment.

Mr. Moulonguet said Renault is preparing a new medium-term plan. Renault's global market share rose 0.1 percentage point in 2009 to 3.7% in a market that shrunk by 4.5%, and the company is targeting a further gain in market share in 2010 with the launch of six new models.

On Wednesday, Renault's larger local rival, PSA Peugeot-Citroën, reported its full-year net loss widened to €1.16 billion but said its financial position improved over the second half thanks to increased demand.

Toyota takes a hit on car prices

U.S. dealers extend discounts to lure customers as auto maker's safety issues raise worries

By Sharon Terlep and Alex P. Kellogg

Last weekend, Robert Boch sold a new Camry sedan with a sunroof and alloy wheels for $21,691, and the customer got a 0% loan on the deal as well.

Just a month ago, a similar model sold for $500 more, with a 2.9% interest rate on the loan, said Mr. Boch, a co-owner of Expressway Toyota in Boston.

"We have to do what it takes to keep things moving," said Mr. Boch. "There is blood in the water and that sharks are out. We have to protect our turf."

The prices **Toyota Motor** Corp. gets for its vehicles may be one of the most significant casualties in the recall and quality crisis that has engulfed the car maker.

For years, the Japanese company has been able to command higher prices than Detroit rivals **General Motors** Co., **Ford Motor** Co. and **Chrysler Group** LLC. The premium, often $1,000 to $2,000 on cars priced in the $20,000-to-$25,000 range, helped Toyota's U.S. operations ring up big profits while the Big Three struggled to stem mounting losses in recent years.

Now, however, Toyota is on the defense and its reputation for quality damaged. Last fall it recalled millions of vehicles for floor mats that can pin down a car's gas pedal. Its sales plunged late last month after the company had to stop selling eight of its most popular models, including the Camry, until it can fix a separate defect that can make the gas pedal stick.

To attract customers and jumpstart sales, some Toyota dealers have been slashing prices, a tactic they rarely have been forced to use in the past.

On Sunday, Lipton Toyota Scion in Fort Lauderdale, Fla., sold a blue 2010 Toyota Camry SE for $22,300, which was $500 below the "invoice" price that dealers themselves pay for a vehicle, and $2,300 below retail price, according to dealer Steve Jensen. An additional $1,000 rebate from the Toyota wholesaler that distributes cars to dealers in Mr. Lipton's region helped close the deal.

Agence France-Presse/Getty Images

Toyota dealers are cutting prices and boosting incentives to seal deals due to the company's recalls. Above, a Santa Monica, Calif., dealer last week.

Mr. Jensen said selling cars below invoice price leaves him a bit worried. "I'm definitely cutting into my bottom line. [But] I personally am not turning deals down," he said.

Analysts at Kelley Blue Book, a car-pricing guide, estimate the selling price of a new Toyota Camry will fall by $500 to $1,000 and a new Prius hybrid by $1,000 to $1,500 due to the impact of the recalls.

Toyota spokeswoman Celeste Migliore said Toyota hasn't significantly increased incentives on a national level, but that individual regions and dealers are free to extend special offers. "We are not in a position to speculate on the impact that incentives are having," she said.

Toyota last week estimated the company will sell about 100,000 fewer vehicles because of the sales stoppage and fallout from the recalls. It said the costs of lost sales and fixing recalled vehicles would be about 180 billion yen ($2.01 billion). But it still expects to report a profit of about 80 billion yen for the fiscal year ending March 31, reversing a loss a year ago.

One reason customers until recently have been willing to pay a little more for Toyotas is their strong resale values, which meant buyers could count on getting a good price when trading in a Toyota or Lexus. But these prices also are falling. Kelley Blue Book said this week it will lower its projections of prices for used Toyotas a further 1.5% after reducing them 1% to 3% last week.

Bob Carter, general manager of Toyota's U.S. division, said it was too early to judge the recalls' impact on used-vehicle prices. "I am concerned, but at this point in time I do not have it quantified," he said at the Chicago auto show.

Of course, it is unclear how long Toyota will need to discount. But even if it temporary, it signals a power shift in the industry.

Over the last 30 years, Toyota built up a reputation as the quality leader, and Americans became accustomed to paying more for a Toyota. GM, Ford and Chrysler have had to fight back by offering big rebates and incentives such as 0% financing. In the past, Toyota offered 0% financing only on rare occasions.

Toyota's ability to keep prices relatively high has allowed it to invest in new vehicles, technology and factories. Higher prices also enabled Toyota to make money on small cars, an area where the Big Three typically sold cars at a loss.

But Ford, GM and Chrysler are now in a better position to compete on price after restructuring their businesses and reaching deals with the United Auto Workers union that slashed labor costs and health-care obligations.

On top of that, fewer customers are thinking about buying Toyotas, according to Kelley Blue Book. The company said a recent survey found that 27% of shoppers who were considering buying a Toyota before the recalls no longer are. The firm interviewed 691 new-car shoppers.

For dealers, the recall repairs ironically represent a windfall in highly profitable service work they can bill to Toyota. But they also need to keep new-car sales going to maintain cash flow and move their inventory. A dealership's costs of depreciation and of the loans it takes out to pay for its inventory can rise if new cars languish on the lot.

Toyota cites progress in recall repairs

By Jeff Bennett And Doug Cameron

CHICAGO—A senior **Toyota Motor** Corp. executive said its U.S. dealers are repairing 50,000 recalled cars a day and insisted its sticky-pedal fix would last "a lifetime."

Separately, a U.S. lawmaker said he wants Toyota Chief Executive Akio Toyoda to appear before Congress later this month to answer questions about the auto maker's safety crisis.

Bob Carter, general manager of Toyota's U.S. division, said the Japanese car maker had already fixed 220,000 U.S. vehicles as part of the global recall and production freeze caused by faulty gas pedals.

Mr. Carter told a packed news conference Wednesday at the Chicago Auto Show that it is "too soon" to evaluate when Toyota might restore consumer confidence after a recall that has caused its global sales to slide.

He also refuted assertions that the company tried to cover up safety problems.

Meanwhile, a U.S. lawmaker wants Toyota CEO Akio Toyoda to testify before Congress on the car maker's safety problems and recalls.

Toyota is facing a deepening image crises as it continues weekly to expand its recall of cars for problems that include sliding floor mats, sticky pedals and software glitches in brakes.

The latest move came Tuesday when Toyota recalled more than 400,000 of its Prius and other hybrid models over braking problems. The company also recalled more than 7,300 late-model Camrys in the U.S. for a separate braking issue.

Mr. Carter had no comment on a possible Corolla recall amid steering complaints from owners of that model and said the company is studying the issue.

Mr. Carter reiterated Toyota's stance that the pedal problems weren't linked to electrical interference and the measures the company has taken should solve sudden-acceleration concerns.

Production of all Toyota vehicles has resumed in the U.S.

Meanwhile in Washington, U.S. Rep. Darrell Issa (R., Calif.) said he wants Mr. Toyoda, grandson of Toyota's founder, to testify. He also wants to arrange a meeting with Mr. Toyoda and congressional leaders of both parties to go over issues surrounding Toyota's troubles.

Mr. Issa is the top Republican on the House Oversight and Government Reform Committee, which has scheduled a hearing for Feb. 24 on Toyota's recalls.

Mr. Issa said he asked his committee's chairman, Rep. Edolphus Towns (D., N.Y.), to formally invite Mr. Toyoda.

A spokeswoman for Mr. Towns said the committee chairman "looks forward to receiving Rep. Issa's letter and to discussing his request."

Martha Voss, a Toyota spokeswoman, said Mr. Toyoda "would look forward" to meeting with members of Congress but that, for now, the plan is for Yoshimi Inaba, head of Toyota's North American operations, to testify.

—Josh Mitchell contributed to this article.

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Bloomberg News

KDDI and Liberty faced questions from regulators on the deal for Jupiter, which operates J:Com retail shops.

Jupiter deal may change

KDDI, Liberty discuss revising terms to meet concerns of regulators

By Daisuke Wakabayashi And Jeffrey McCracken

Facing a probe from Japanese regulators, **KDDI** Corp. and **Liberty Global** Inc. are in talks about changing the terms of KDDI's agreed-upon $4 billion acquisition of a 38% stake in **Jupiter Telecommunications** from Liberty, said people familiar with the matter.

KDDI and Liberty are working out ways to get KDDI's potential stake in Jupiter to below one-third in order to address concerns from Japan's Financial Services Agency that the deal in its original form violates the country's share transaction law, these people said.

While Liberty is under no legal obligation to alter the deal, the U.S. cable company is looking at options to help KDDI get around the regulatory issue and complete the deal, these people said.

One option includes Liberty putting about 4.5% of Jupiter's shares into a trust outside of KDDI's control before the purchase is completed in mid-February, one person said.

KDDI is Japan's No. 2 telecommunications company by a number of measures. Last month it agreed to buy three Liberty subsidiaries—which together hold 37.8% of Jupiter, Japan's largest cable-TV operator—for 361.66 billion yen.

It paid a 65% premium, providing Liberty with a clean exit from Japan as the cable company shifts it focus to the European cable-TV market.

But the deal caught the attention of Japanese regulators who questioned whether this was a way around Japan's Financial Instrument and Exchange Law, according to people familiar with the matter.

The rule stipulates that transactions under which more than one-third of a listed company's shares voting rights change hands must be done through a tender offer.

If KDDI's actions are deemed a violation of the law, then the company could be hit with a penalty of 25% of the purchase price, or about 90 billion yen. FSA officials couldn't be reached Thursday, a holiday in Japan.

For Liberty, a delay would slow the company's efforts to exit Japan entirely while turning its resources to Europe. The company intends to use the $4 billion from the deal to repurchase stock and pursue growth in Europe. John Malone is Liberty's largest shareholder and board chairman.

KDDI and its lawyers say the deal is legal because the Jupiter shares are being acquired indirectly through the purchase of Liberty's units.

However, KDDI's management is opposed to challenging regulators and has been looking for ways to alter the deal to get around the tender-offer requirement, a person familiar with KDDI's thinking said.

KDDI issued a statement on Wednesday, saying nothing had been decided at this time.

For KDDI, the acquisition of a major stake in Jupiter would give the company roughly half of Japan's cable market, and it would allow the company to offer bundled high-speed Internet, phone and video services to customers. It has lagged behind former state monopoly **Nippon Telegraph & Telephone** Corp. to offer these bundled services.

Australia's Telstra warns of headwinds

By Lyndal McFarland

SYDNEY—Australia's biggest telecommunications group, **Telstra** Corp., on Thursday said its first-half net profit fell 3.3% as more customers abandoned fixed-line products and competition in the mobile sector intensified. The group warned that headwinds are likely to continue for the remainder of the financial year and said its full year revenue is likely to fall after predicting a "flattish" result previously—its second downgrade in two months.

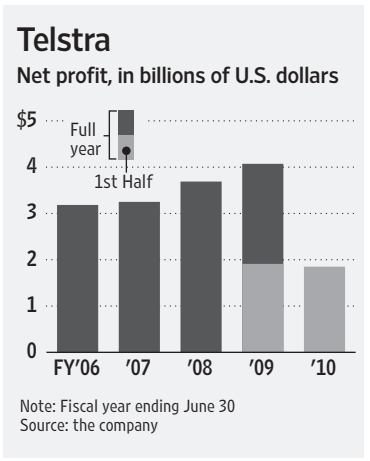
Already facing significant uncertainty on the regulatory front, the result underscores that Chief Executive David Thodey will need to focus on winning back market share in growth sectors and stemming the decline in its once-core fixed-line business.

Net profit for the six months to Dec. 31 fell to 1.85 billion Australian dollars (US$1.62 billion) from 1.92 billion Australian dollars a year ago, missing market estimates for a net profit of 1.89 billion Australian dollars, according to the average forecast of six analysts surveyed by Dow Jones Newswires.

The group's dividend of 14 cents a share, steady from a year earlier, also disappointed some who were expecting an increased payment. Sales revenue fell 2.5% to A$12.32 billion from a year earlier.

"This reflects challenging market conditions due to changing calling behaviors and stronger price competition," Mr. Thodey said.

Sales at the group's high-margin, fixed-line business fell 6.9% as customers made fewer calls and more Australians canceled fixed-line phones. Mr. Thodey acknowledged the pace of decline was more severe than the group anticipated. While falling fixed-line subscribers have been a trend across the industry globally for a number of years, Telstra's fixed-line numbers had until now surprised with their resilience.



But analysts expressed concern that the group failed to anticipate the sharp drop in the latest half.

Meanwhile, tough competition in the mobile sector from rivals such as Singapore Telecommunications Ltd.'s Australian unit Optus, which has undercut the group on pricing, crimped earnings growth at the group's key mobile division during the half.

Mobile-services revenue grew 4.7%—slower than some of its rivals— while revenue at its Sensis advertising unit, once considered a key growth driver, fell 7.3%.

"There's very little to like about Telstra's first-half result," said IG Markets analyst Ben Potter. "Not only have we seen it miss expectations on net profit and dividend projections, the outlook is uninspiring," he said.

In addition to the accelerated decline in fixed-line usage, Telstra said adoption of its fixed broadband product has slowed since its last update in October, and the group now estimates 10% of Australian households are completely wireless.

The group continues to target free cash flow of A$6 billion this financial year and low-single-digit percentage growth in earnings before interest and tax.

Singapore casino to open on Feb. 14

By Jonathan Cheng

Malaysian gambling concern **Genting Singapore** PLC said the casino portion of its Resorts World at Sentosa complex will open Feb. 14, in time for the start of the region's important Lunar New Year celebrations.

The opening, which comes after Singapore's Casino Regulatory Authority granted its first casino license to Genting on Saturday, gives Resorts World a high-profile launch at a time when travel within the region is at a peak.

It also gives the US$4.67 billion property a headstart on **Las Vegas Sands** Corp.'s much-delayed showpiece project, the downtown Marina Bay Sands.

Genting said in a statement Thursday that it would welcome its first public guests just after noon on Sunday, with previews of its Universal Studios theme park in the evening. The resort opened four hotels and a shopping mall last month.

Lim Kok Thay, chairman of the Genting Group, said Thursday that the company was able to take the resort "from drawing board to reality" in less than three years.

The resort's chief executive, Tan Hee Teck said the Universal Studios rides were still undergoing "fine-tuning," but would open to company staff starting Feb. 22 ahead of a general opening in early March.

Singapore's government, concerned about the deleterious effects of introducing gambling to the city-state, is barring people under age 21 from entering a casino, proscribing automatic-teller machines from the casino floor and blacklisting anyone deemed to have gambling problems.

Authorities are also trying to dissuade Singaporeans and permanent residents from gambling by forcing them to pay a US$70 entry fee to casinos—a levy from which tourists are exempt.

Genting said Thursday that Singapore citizens and permanent residents could begin to start buying the levy Friday morning.

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CORPORATE NEWS

CEO of MySpace departs abruptly

Owen Van Natta leaves nine months after being recruited to turn around struggling social-networking site

By Shira Ovide and Jessica E. Vascellaro

Owen Van Natta, the Silicon Valley veteran who was hired nine months ago to revitalize **News Corp.**'s MySpace, has stepped down as chief executive, adding to the turbulence at the struggling social-networking site.

Two MySpace executives, Mike Jones and Jason Hirschhorn, were promoted to co-presidents, effectively replacing the 40-year-old Mr. Van Natta, News Corp. said Wednesday. The change is effective immediately.

"While this may be a surprising turn of events for some of you, I am absolutely confident that this change is best for all parties involved and–most importantly–the MySpace business," Jon Miller, News Corp.'s chief digital officer, said in an internal memo.

Bloomberg

Owen Van Natta, above, will be replaced by two co-presidents, News Corp. said.

Mr. Miller, who oversees MySpace, hired Mr. Van Natta last April as part of a shakeup that saw MySpace founders Chris DeWolfe and Tom Anderson reassigned to different roles.

Mr. Van Natta, a former Facebook Inc. executive, was hired last year to turnaround MySpace, which has suffered from sagging advertising revenue and stagnant Web traffic.

"In talking to Owen about his priorities both personally and professionally going forward, we both agreed that it was best for him to step down at this time," Mr. Miller said in a statement Wednesday.

Mr. Van Natta couldn't immediately be reached for comment.

The departure of its top executive highlights the ongoing struggles of MySpace, which has gone from a major expected growth engine for News Corp. to a fix-it project.

News Corp., which owns The Wall Street Journal, bought the then-sizzling Internet property four-and-a-half years ago. Since then, it has been overtaken by rival Facebook in buzz and in traffic, and was undermined by its own management struggles under Messrs. DeWolfe and Anderson.

MySpace began to miss revenue targets, and more recently News Corp. executives have said MySpace is falling short of the minimum traffic levels laid out in its $900 million search-advertising pact with Google Inc. That pact expires this year.

"It's not yet where we want it," News Corp. Chairman and Chief Executive Rupert Murdoch said about MySpace in an earnings call last week. He added that Web traffic had shown signs of stabilization.

Before joining MySpace, Mr. Van Natta was among the candidates considered for the then-new post as News Corp.'s chief digital officer, and had discussed the job with Mr. Murdoch, according to people familiar with the matter. Mr. Murdoch instead tapped Mr. Miller, a former head of Internet company AOL.

Mr. Miller quickly recruited Mr. Van Natta to the post. But people familiar with the dynamics at the company said that Messers. Miller, Van Natta, Jones and Hirschorn have struggled to share duties.

During his months in his post, Mr. Van Natta overhauled management, focused MySpace on digital music offerings and pushed through a massive workforce reduction.

He continued to commute between the Los Angeles area, where MySpace is based, and Palo Alto, Calif., area, where he lived with his family.

CapitaLand's net rises 11-fold after IPO of a unit

By Sam Holmes

SINGAPORE—Singapore property developer **CapitaLand** Ltd. Thursday reported a more than 11-fold rise in its fourth-quarter net profit, mostly due to one-off gains from the listing of its mall unit, and flagged plans to increase its presence in Vietnam and China.

The developer recorded a net profit of 885.7 million Singapore dollars (US$627.1 million) for the three months ended Dec. 31, up from S$78 million a year earlier. Revenue rose 18.4% to S$833.0 million from S$703.7 million.

The net profit figure was higher than the average S$641.4 million estimate of seven analysts surveyed by Dow Jones Newswires.

CapitaLand in November raised S$2.8 billion through the initial public offering of its mall unit, **CapitaMalls Asia** Ltd. Excluding the S$899.8 million net gains from the **CapitaMalls Asia** listing, revaluations and impairments, net profit was S$279.3 million, compared with S$167.7 million a year earlier.

"We unlocked value for our shareholders with the listing of CapitaMalls Asia and divested properties in the industrial sector in Singapore for gains," CapitaLand Chief Executive Liew Mun Leong said in a statement.

Southeast Asia's largest property developer by capitalization has aggressively been building up its commercial and residential portfolios in markets outside its Singapore base as it seeks to expand in markets like China and Vietnam. But analysts have sounded a note of caution about the impact of Beijing's moves to tighten monetary policy on the developer's projects in China.

Vietnam accounts for about 1%-to-2% of the group's assets, though the company hopes to increase this to about 10%.

The group sees China as one of its core markets and aims to eventually have China account for 45% of its total assets, from 36% currently. CapitaLand earlier this year announced a US$2.2 billion acquisition of **Orient Overseas Developments** Ltd., the property arm of Chinese shipping company Orient Overseas Ltd.

CapitaLand expects it may take five to seven years to realize the value on these assets, and Mr. Liew said he is confident of the long-term fundamental factors underpinning the Chinese property market.

He said that while there is a degree of speculative demand in cities like Beijing, Shanghai and Guangzhou, the Chinese property market "should not be labeled as a bubble" just yet.

"There will be inflation, but to a level where if it exceeds affordability, then the bank will stop lending as they are controlled by that," he said.

Net profit for the full year was S$1.05 billion, down 16% from S$1.26 billion a year earlier.

Reuters

CapitaLand plans to increase its exposure to China and Vietnam.

Rio Tinto is upbeat as profit climbs 33%

Continued from page 13

Speaking Thursday at a news conference, Rio Tinto Chief Executive Tom Albanese said the company remains cautious about the outlook for the aluminum industry, despite recent improvement, and he declined to comment on the progress of this year's iron-ore talks. China has also declined comment on the negotiations.

But Mr. Albanese said the company's primary concern was for the well-being of its detained employees.

Mr. Albanese reaffirmed that the company wants to repair its relationship with China, where it is a key supplier of the building blocks the country needs to continue its fast economic growth.

The impending Rio Tinto trial puts China's judicial system under the international spotlight, dramatizing a commercial quarrel between China's steel industry and global mining majors over a secretive pricing process for iron ore, a commodity essential to China's growth and development.

The Shanghai prosecutors' indictment of the men—Australian national Stern Hu and Chinese nationals Wang Yong, Liu Caikui and Ge Minqiang—alleges the iron-ore salesmen requested and accepted "huge" bribes on many occasions from several Chinese steel enterprises. It also said they used "improper" means to obtain commercial secrets that caused "serious consequences" for the companies, according to a Xinhua report Wednesday.

While declining to directly answer a question on how China would make the trial speedy and transparent according to Canberra's requests, the foreign ministry's Mr. Ma said the defendants' rights would be fully guaranteed. Human-rights organizations frequently criticize the Chinese justice system as opaque and heavily stacked against defendants.

The chief executive of Rio Tinto's iron-ore business expressed reservations—though carefully guarded—about the prosecution. "We are very concerned about the nature of these charges, however, as this is part of an ongoing legal process, it is inappropriate to comment any further," said Sam Walsh, in a statement. Previously, the company has said it was unaware of wrongdoing by its employees.

Rio Tinto and the Australian government issued identical pleas for China to deal with the matter in a "transparent and expeditious" manner, but declined to speculate on a likely outcome or possible penalties.

Through a mix of US$7.2 billion of asset sales and a US$15.2 billion rights issue, Rio Tinto has reduced its net debt to US$18.9 billion, allowing it to resume spending on stalled growth projects.

"Following the recapitalization of the balance sheet, we are bringing forward some of our premier growth options through a disciplined program of investment," Mr. Albanese said.

Mr. Albanese said the miner would be "disciplined" in its investment, reiterating previous guidance for capital expenditure in 2010 of US$5 billion to US$6 billion.

UBS analyst Glyn Lawcock said Rio had delivered on its plans to pay down debt and had the capacity to spend more on growth.

Uniqlo plans global growth

Continued from page 13

In 2007, the Japanese retailer made an unsuccessful $900 million unsolicited bid for upscale retailer Barneys New York.

It has carried out smaller acquisitions, such as buying the Princesse tam.tam lingerie brand in 2005, as well as the French Comptoir des Cotonniers brand in 2006, both for an undisclosed sum.

"We are looking for a company that can become Uniqlo's platform in the U.S. and Europe," he said. "At the same time, we want to increase the number of global brands in our portfolio."

Fast Retailing also operates other brands such as Theory, which originated in New York.

Uniqlo is focusing its organic growth efforts on Asia, where it has stores in China, Hong Kong, South Korea and Singapore. "Asia is still an underdeveloped market, whereas in the U.S. and Europe there are already competitors," he said. "It is less likely we can expand as rapidly [in the U.S. and Europe]."

Mr. Yanai said Uniqlo was planning to open a store in India within the next two to three years, as well as outlets in San Francisco, Los Angeles and more shops in New York City.

The retailer is planning to open its fourth store in Shanghai this spring, as well as its first store in Moscow. It opened another shop in Paris's La Défense district last year.

At a time when consumer spending in Japan is in the doldrums and deflationary pressures are returning, Fast Retailing reported a net profit for the year ended in August of 49.80 billion yen, up 14% from the year before, while sales rose 17% to 685 billion yen.

Mr. Yanai also said he wants to make Uniqlo products available world-wide through electronic commerce channels within a year or two.

Questions have been mounting regarding Mr. Yanai's successor, and he said that the individual didn't have to be Japanese, as long as they had "Uniqlo DNA" in their bloodstream.

The company is currently training about 200 people for management positions, he said.

IPad heats up feud over Flash

Apple breaks with mainstream by shunning Adobe's video technology; Jobs calls it 'buggy'

By Ben Worthen
And Yukari Iwatani Kane

Apple Inc. and **Adobe Systems** Inc. used to be cozy partners, but they have become increasingly estranged since the computer maker unveiled its iPad tablet late last month.

While Apple Chief Executive Steve Jobs announced that the iPad will revolutionize Web surfing, the device won't support Adobe's ubiquitous Flash video technology. In the wake of that disclosure, Adobe's share price has declined 3%.

The Flash announcement signaled a break from the mainstream since the Adobe video software is among the most widely used on the Web. The Flash player is installed on about 98% of Internet-connected computers, according to Adobe, and it is used for more than 75% of all videos on the Web and 90% of interactive advertisements.

But in an internal meeting late last month, Mr. Jobs told employees that Flash was "buggy" and blamed the majority of Mac computer crashes on problems with the plug-in software.

Adobe, meanwhile, has fought back with blog posts calling attention to Apple's omission of Flash and questioning how good a Web surfing experience the iPad will provide without it.

Adobe also says that it has developed a version of Flash that can run on the iPad. The only remaining hurdle is that "it requires Apple's cooperation to get on the device," says Kevin Lynch, Adobe's chief technology officer. "We're ready to go."

But Apple is instead throwing its weight behind an emerging rival to Flash.

The sparring over the iPad brings to a head simmering tensions between Apple and Adobe. While the two companies are longtime partners, with Adobe supplying publishing software to Apple's Macintosh computers, Apple has increasingly frozen out Adobe's video software.

Several years back, Apple said it wouldn't allow Flash on its iPhone. Mr. Jobs attributed that exclusion to Flash's inability to run efficiently on a device with less processing power than a PC. Adobe acknowledged the criticism and for a year said it was working to fix the problem.

Since then, Adobe has developed a version of Flash capable of running on smart phones, and every major manufacturer but Apple has embraced it.

Not being on the iPhone and iPad could cost Adobe some growth opportunities. And Adobe could be in trouble if customers abandon Flash for the Apple-backed standard, which is called HTML5. Adobe doesn't break out the revenue that comes from Flash, but it says the software is one of its most important assets.

Nonetheless, some analysts say Wall Street is blowing the issue out of proportion because there is no current financial hit to Adobe for not being on the iPad and the threat from HTML5 is a long way off.

"Wall Street seems to be getting confused by this," says Brent Thill, an analyst at **UBS Securities**.

When Apple introduced the iPad at an elaborate event last month, the absence of Flash was quickly apparent once media members had a chance to play with the device. Web sites that typically display Flash videos and interactive graphics instead had large holes on them. And iPad won't be able to play videos from sites like Hulu, the popular TV and movie site partly owned by News Corp., publisher of The Wall Street Journal.

Apple's bet is that Flash is an outdated technology and that Web browsers will eventually be able to play video without making such outside software necessary. Mr. Jobs said Apple will support Web sites that use the emerging HTML5 standard, which is being developed by a consortium that includes Apple and **Google** Inc.

But HTML5 is still being developed, and the technology isn't widely used, Web developers say. "We'll develop for the iPad when there's an install base that matters, and right now for our clients, there isn't one," says Steve Jackson, chief executive of Smashing Ideas Inc., which develops games and Web sites for **Walt Disney** Co. and **Starbucks** Corp. among others.

Critics note that Apple's decision not to support Flash allows the company to keep control over application development for the iPad and iPhone within its App Store, at least for the moment. That's because developers can't build Web-based applications for its devices.

Still, analysts say the decision not to support Flash is generating more controversy than Apple may have anticipated at a time when the company is trying to create excitement for a product that is supposed to showcase graphics and media.

"The problem is that you are asking the world to go rebuild everything on a technology that isn't really proven yet," says Scott Stanfield, CEO of Vertigo Software Inc., which developed the video site for the Olympics among other projects.

European Pressphoto Agency

Adobe says it has a version of Flash video technology that can run on the iPad, shown above, but Apple won't support it.

De Beers to tap investors for $1 billion

By Robb M. Stewart

JOHANNESBURG—**De Beers** SA's shareholders have agreed to invest $1 billion so the diamond producer can cut debt after a year in which gem sales slumped amid weak global demand for luxury items.

De Beers, which produces and markets 40% of the world's rough diamonds by value, has been raising production of uncut stones since it temporarily shuttered mines early last year.

Even so, the company said Thursday it remains cautious about prospects for returning to the levels prior to the economic downturn.

This year "has started on quite a strong note," Managing Director Gareth Penny told reporters during a conference call. "We are soon going to be pretty close to price levels that prevailed at the end of 2008," he added.

Mr. Penny said the company is close to refinancing its debt, which will strengthen its balance sheet as demand for diamonds continues to recover. Key to this is $1 billion De Beers will raise from **Anglo American** PLC, the Oppenheimer family and Botswana's government. Mr. Penny said the investment plan will help De Beers reduce interest-bearing debt to roughly $2 billion, from $3.2 billion at the end of December.

The company has agreed to terms with international and South African lenders to renew $3 billion in debt, $1.5 billion of which is due next month, Mr. Penny said.

"As we emerge from the situation we saw last year, De Beers will have a strong balance sheet...We don't envisage raising any more money," he said.

As the credit crunch in the U.S., the largest market for diamonds, widened in late 2008 De Beers began curtailing spending, cutting jobs and suspending production in Botswana and Namibia. Production in the first six months of 2009 was just 6.6 million carats, but picked up over the course of 2009 to 24.6 million for the year as a whole, 49% lower than in 2008.

Mr. Penny said production is expected to rise this year and in 2011, but agreed with a forecast from Botswana that the market is unlikely to fully recover until 2012 at the earliest. He said the company would take a cautious approach to output and sales levels for 2010 despite improved demand for gems.

De Beers intends to cut interest-bearing debt to roughly $2 billion, from $3.2 billion at the end of December, as diamond demand continues to recover.

De Beers said its sales fell 44% to $3.84 billion in 2009, contributing to a net loss of $743 million for the year compared with earnings of $90 million in 2008.

The latest results included a $700 million noncash impairment provision against the company's Canadian operations to reflect the weak U.S. dollar and impact of the recession on pricing and production.

De Beers—which is 45%-owned by Anglo American, 40% by the Oppenheimer family and 15% by the government of Botswana—received $500 million from its shareholders in April to act as a buffer in anticipation of a tough market for diamond sales in 2009.

Mr. Penny said a recovery in consumer demand for diamond jewelry has been driven in part by the strength of markets in China and India. He estimated China's share of the global market could rise to 16% or above over the next five years from 8%-10% currently, while India could account for 11% from 7% now.

Motorola weighs new plan to break up

By Jeffrey McCracken
And Dana Cimilluca

Motorola Inc. is close to rolling out a new plan that it hopes will revive an effort to separate the company's main business units, according to people familiar with the matter.

In recent days the Schaumburg, Ill., company has moved toward reversing a months-old strategy of selling off the largest of its three divisions, which makes set-top boxes and wireless-networking gear, these people said.

The company has instead signaled it will likely chop that unit in two—continuing an auction for its wireless-networking business, while spinning off its set-top box business with its core handset business into a new, publicly traded company, these people said.

If completed, the changes would leave Motorola at less than one-third of its current size, down to around $7 billion in sales, compared with $22 billion in 2009. What would remain is a business that sells equipment for public-radio systems and bar-code scanners.

The decision, which still needs to be finalized, was struck over a series of high-level meetings and two days of board meetings in late January, said the people familiar with the matter.

The company has struggled with what to do with a collection of businesses assembled over the decades. As far back as 2008, it wanted to spin off its handset business, but the unit's slumping sales and deep losses forced the company to put such a move on hold.

Inside Motorola, the prevailing view now appears to be that handsets and home-video equipment fit together and could help the independent company differentiate itself from other cellphone makers, said the people familiar with the matter.

While a spinoff of the handset unit has long been in Motorola's plans, this would be a larger undertaking. The mobile-phone business had sales around $7 billion in 2009. The set-box unit had about $4 billion in sales last year last year.

Motorola would then proceed with the sale of its wireless networking unit, which makes equipment for cellphone towers and other telephony gear. Second-round bidding with management presentations for the networks business will begin soon, said these people. That business also has annual sales around $4 billion.

Without acknowledging the company's evolving strategy, Motorola co-Chief Executive Officer Greg Brown on a Jan. 29 conference call said "we are moving full steam ahead on separation" of Motorola, and added the company is "continually working on the appropriate structures for separation."

When asked for a comment, a Motorola spokeswoman referred back to those comments.

The networking unit, which could fetch roughly $1 billion or more if sold intact, has drawn interest from parties such Chinese telecommunications giant **Huawei Technologies** Co., said these people.

AIG pay plan: Rank and rile

Insurer will rate workers on scale, compensate accordingly; are you a 1 or a 4?

By Serena Ng
And Joann S. Lublin

American International Group Inc. is rolling out a plan to revamp how it doles out annual incentive pay to its employees, as the government-controlled insurance giant moves away from retention bonuses that have proved controversial over the past year.

The new initiative, called a "forced distribution" system, is being pushed by Chief Executive Robert Benmosche. Under the plan, thousands of AIG employees will be ranked on a scale of 1 to 4 based on their performance relative to their peers, and their annual variable compensation, which may include bonuses, will be determined by their rank. Individuals ranked in the top 10% will get far more relative to their peers.

Similar forced-ranking systems have been used by large companies such as **General Electric** Co. under its previous chief executive, Jack Welch, to reward top performers and to weed out underperforming employees over time. Mr. Benmosche learned the method from an ex-GE executive when they worked at Chase Manhattan Bank in the 1970s, and implemented such a system at **MetLife** Inc. while he was CEO of the New York-based life insurer from 1998 to 2006.

AIG's situation, however, is starkly different from those companies. The insurer is struggling to repay more than $90 billion in U.S. taxpayer money and has lost a number of key employees since its September 2008 bailout, which continues to attract negative publicity. Some company insiders worry the new performance initiative could create additional anxiety among employees at a time when morale in parts of AIG remains low, according to people familiar with the matter.

Mr. Benmosche says he strongly believes employees ought to know where they stand within the company. "The risk is that it will make people nervous. But where people are worried about their jobs, I believe it's helpful to know if they are doing well and are in the top 80%, or if they need to work harder," he said in an interview Wednesday.

"I want to make sure we're paying the best people for their performance," he said, adding the company also needs to "better differentiate performance in order to show the American public we are not just giving money away."

Bryan Derballa for The Wall Street Journal

Robert Benmosche's goal is to pay 'the best people for their performance.'

The move could help appease AIG's overseer on compensation issues, U.S. pay czar Kenneth Feinberg, who has taken issue with AIG's previous plans to pay retention bonuses to some executives at the corporate level and insurance units so long as they stayed at the company.

Mr. Feinberg last year told the AIG CEO that the company ought to have a strong process that ensures the company pays for performance, instead of making retention awards that aren't tied to performance criteria, recalls Mr. Benmosche.

Under the plan, only 10% of the ranked employees will get the top "1" ranking and stand to receive much more year-end incentive pay, which could comprise variable salary and bonuses, than those with lower rankings.

About 20% of employees on the scale would be ranked "2," and 50% would be ranked "3." Individuals in these two categories would generally be considered to have performed well or within expectations and would get meaningful incentive pay commensurate with their rankings. A bottom group of 20% would be ranked "4" and receive lower variable pay. Details of the performance-management system have been planned at AIG since last fall. It is being implemented among an initial group of several thousand AIG staff, out of the more than 100,000 it employs world-wide.

Mr. Benmosche has made compensation a top priority since he started at AIG in August. At town-hall meetings over the past few months, he has told employees he wants them to be paid competitively and fairly for their work, in part through variable compensation. "We ought to have enough flexibility to make sure that if you shoot the lights out in a given year, we have enough variability to give you a big increase for that year," the 65-year-old CEO declared last summer.

Mr. Benmosche said performance-appraisal systems previously in place at AIG weren't discriminating enough. In one case, he said, there was a ranking system with four categories, but about half of the people got the highest rating, and half got the second rank. "You can't have 50% in the top," he said.

Last week, AIG announced the hiring of Sandra Kapell, a former senior MetLife human-resources executive who is expected to help manage and coordinate the forced-ranking system's rollout. At MetLife, some staffers there "hated" the system, says Mr. Benmosche.

AIG, he said, is unlikely to impose a requirement that underperformers leave. GE, meanwhile, has in recent years shifted away from a ranking system based on numerical categories that cuts the bottom 10% of employees, but still aims for "employee differentiation" in its performance appraisals, a spokeswoman says.

A forced-ranking system can change a corporate culture and "help drive consistency across large organizations," says Ravin Jesuthasan, leader of the talent-management consulting practice for Towers Watson, a human-resources consultancy that isn't involved in AIG's planned ranking effort. He adds the approach can work in turnaround situations by helping to foster more accountability, but could be risky if not communicated well or "if links to consequences like compensation and employment are not properly thought through."

AIA bumps up its IPO ranks to nine banks

By Amy Or

HONG KONG—**American International Assurance** Co., the Asian life-insurance unit of **American International Group** Inc., has added seven banks to handle its planned Hong Kong initial public offering, slated for the second quarter, people familiar with the situation said Thursday.

In the latest step forward for the US$10 billion to US$20 billion IPO, which AIG is planning to use to repay part of a U.S. government bailout, AIA has mandated Bank of America Merrill Lynch, **Citigroup** Inc., **Credit Suisse Group**, **Goldman Sachs Group** Inc., **UBS** AG and Chinese banks **CCB International (Holdings)** Ltd. and **ICBC International Holdings** Ltd. as bookrunners on the deal, the people said. **Morgan Stanley** and **Deutsche Bank** AG were appointed as global coordinators of the deal in June and will also be bookrunners.

The final mandate came as a surprise to many bankers in the industry, as **Bank of America** Corp.'s Bank of America Merrill Lynch, UBS and the two Chinese banks weren't among the eight banks interviewed in the "beauty parade" for the role in June.

The AIA share offering is a crucial part of AIG's plan to pay down its US$120.6 billion bailout from the U.S. government. It may also float other businesses.

While the involvement of Chinese brokerage firms is expected to help distribution to Chinese clients, **BOC International Holdings** Ltd., which was interviewed in June and perceived as having a more solid IPO-underwriting franchise than the two Chinese banks mandated, wasn't picked as a bookrunner.

Given that investment banks generally make 2.5% to 3.5% of the amount raised from a Hong Kong IPO, the nine banks stand to make a total of US$250 million to US$350 million in fees, based on a deal size of US$10 billion.

The AIA share offering is a crucial part of AIG's plan to pay down its US$120.6 billion bailout from the federal government. AIG announced plans to float AIA in an Asian listing in May and said late last year that Hong Kong would be the listing venue.

AIA's business scope covers life insurance, retirement planning, accident and health insurance as well as wealth-management solutions across 15 markets in Asia, including China, Hong Kong, Australia, South Korea, Taiwan and Vietnam.

AIA, which was founded in Shanghai in 1919, was incorporated in Hong Kong in 1931 and established its head office in the city in 1947. Apart from AIA, AIG had also considered floating other business units, such as its Chartis property-casualty unit and its American Life Insurance Co., or Alico, life-insurance unit, in a bid to generate the cash to repay the U.S. government. And it is in the middle of selling Alico to U.S. life insurer Metlife Inc. for US$15 billion, a person familiar with the deal said this week.

MARKETS

Blackstone's IPO pipeline clogs up

The optimism of October wanes as Travelport and Graham Packaging deals are hit by 'market conditions'

By Peter Lattman

Clouds are gathering over Stephen Schwarzman's IPO parade.

In October, the **Blackstone Group** LP chief executive took the bold step of telling clients the private-equity giant was weighing initial public offerings for as many as eight of its portfolio companies.

The news was welcomed by Blackstone's fellow buyout investors, who had received few returns after a miserable two years in the markets.

"We see the world changing once again," Mr. Schwarzman wrote at the time. "At least for private equity, the worst is behind the industry."

Mr. Schwarzman said the IPO sales, which would come over a 12-to-18-month period, would be made at an expected valuation that "compares very favorably to our costs, in some cases significantly."

The worst may be over, but there is little to celebrate. Late Wednesday, the company postponed a $1.78 billion IPO of its **Travelport** online-travel business, citing "market conditions." Then its **Graham Packaging** Co. cut the size of its IPO in half.

Blackstone, which has owned Graham since 1998, said it no longer will sell its own shares in the IPO.

Thursday, Graham Packaging opened at its $10 IPO price, before rising 3%. It originally expected to price the shares at $14 to $16.

The only other Blackstone company that has gone public since October is **Team Health Holdings** Inc., in December.

In that deal, Blackstone dropped its portion of the stock sale and priced shares 25% lower than planned. The shares are up about 12% since the offering.

"In volatile markets, Blackstone's long-term investment model means that we can wait until conditions improve," said spokesman Peter Rose.

"We predict that there will be exits this year, but our investors trust us to wait until we can realize optimal value," Mr. Rose said.

Another Blackstone company yet to file for an IPO but in its planning stages is Merlin Entertainments, which owns the London Eye and Madame Tussauds, according to people familiar with the situation.

Blackstone's troubles in the IPO market underscore an issue facing private-equity firms: They need to exit deals so they can book profits and return capital to clients.

But with the stock market slumping and the IPO market weakening, buyout shops now must either push through an IPO at a sharply discounted valuation, hurting their returns, or withdraw the IPO and hope for a better opportunity later.

Things looked bright last autumn. Several private-equity-backed companies successfully completed IPOs in the second half of last year, including **Avago Technologies** Ltd., owned by **Kohlberg Kravis Roberts** & Co. and **Silver Lake Partners**. That led to a rush by private-equity firms to ready IPOs of their most successful companies.

Returning money to clients enables private-equity firms to more confidently approach investors when raising money for subsequent funds.

The fund-raising issue is particularly germane to Blackstone, which is passing the hat around for a new flagship private-equity fund. After raising $21.7 billion for its fifth vehicle, the largest buyout fund ever raised, it has raised just $9 billion for its sixth fund.

Reuters

Madam Tussauds owner Merlin Entertainments, a Blackstone unit, plans an IPO. Here, Heidi Klum with her wax likeness.

U.K. debt poses risk for banks

By Sara Schaefer Muñoz

LONDON—Investors remain edgy about the creditworthiness of countries such as Greece and Portugal, but the biggest sovereign threat that U.K. banks may face is closer to home: exposure to U.K. government debt.

The U.K.'s four major banks held roughly £70 billion ($110 billion) in U.K. government debt securities as of the second and third quarters of last year, according to estimates in a J.P. Morgan report this past week.

About 50% of the government debt of **Lloyds TSB Group** PLC is from the U.K., compared with about 20% for **Barclays** PLC, and 13% and 6% for **Royal Bank of Scotland Group** PLC and **HSBC Holdings** PLC, respectively, the analysts estimate, noting trading-book holdings are subject to change.

The concern is that further market jitters over countries' abilities to pay back debts could spread to the U.K., driving up the cost of insurance against a U.K. default, analysts say.

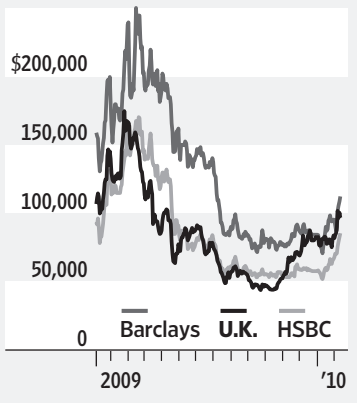
This could require banks eventually to pay more for funding because their portfolios will be seen as riskier.

To be sure, the sovereign-debt situation remains in flux. On Thursday, Herman Van Rompuy, president of the European Council, said eurozone countries have pledged to support Greece through its debt crisis, but don't need to provide financial support right now.

Still, analysts believe sovereign-debt concerns will persist, with ratings firm Standard & Poor's warning this past week that more euro-zone downgrades are possible in 2010.

Troubles at home

The annual cost of insuring against a default for five years



Note: As of Tuesday Source: CMA DataVision

Rising sovereign worries come as U.K. financial regulators have encouraged banks to beef up on U.K. and other government securities as a way to meet new liquidity requirements.

"Investors need to realize that there is a flip side to these liquidity buffers," said Joseph Dickerson, an analyst with Execution Noble Ltd. in London. "They are concentrating their sovereign risk."

Before recent worries about countries' defaults, government bonds or other instruments, with the guarantee of a sovereign behind them, were considered low-risk and nearly as liquid as cash.

That changed after many countries ran up large deficits bailing out their banking sectors, and, most recently, following fiscal problems in Greece, Portugal and Ireland.

Last week, financial markets spiraled downward and the euro slumped against the dollar as investors turned skittish on banks that may have exposure to those eurozone economies.

The U.K.'s successful sale of £2 billion of government bonds on Tuesday showed that Greece-like sovereign worry hasn't yet spread to the U.K.

However, the country has faced questions from investors and economists as to how it will handle its deficit.

In one sign investors are worried, the cost of insuring against a U.K. sovereign default has jumped to $97,000 a year to insure $10 million of debt, compared with $57,000 in early September, according to CMA DataVision.

That cost is lower than it was in the financial crisis last year. But in a sign that banking-sector concerns have been shifted onto sovereigns, the cost of insuring some banks against default is now less than insuring the U.K. government. On Tuesday, the cost of insuring the debt of HSBC was $85,000 a year compared with the U.K.'s $97,000.

J.P. Morgan analyst Carla Antunes da Silva estimates that a substantial, permanent increase in the cost of default insurance and subsequently funding costs could harm U.K. banks' future profits. For example, one scenario could reduce RBS's pretax profit by 11% in 2012, and Lloyds's by 8%.

An increase in U.K. sovereign risk has "a direct impact on U.K. banking profitability," she says.

CME Group buys 90% of Dow Jones Indexes

By Dennis K. Berman And Jeffrey McCracken

CME Group Inc. agreed to buy 90% of Dow Jones & Co.'s financial-indexes business in a deal that values the business at $675 million. Dow Jones will receive $607.5 million from the transaction.

The deal means the Dow Jones Industrial Average, one of the country's leading stock benchmarks, will change hands for the first time since its creation in 1896.

The basket of 30 stocks is perhaps the world's best-known stock-market indicator. Introduced by Charles Dow—a precursor version of mostly railroad companies started publishing in 1884—the average was designed to give investors a snapshot at overall market activity.

It has spawned a number of more-focused offshoots, including transportation, real-estate and technology indexes.

Under the terms of the deal, the unit will be contributed to a joint venture of which Dow Jones will own a 10% stake.

The Dow Jones name will also remain on the stock indexes, under a licensing agreement between the two companies.

As has been custom, the managing editor of The Wall Street Journal—also owned by Dow Jones—will continue to share in decisions about the composition of the benchmark Dow Jones Industrial Average.

The indexes business has been a relatively stable and profitable unit for Dow Jones amid a period of revenue decline in its core newspaper franchise.

Last November, Dow Jones sold its interest in a separate European stock-indexing business, known as Stoxx Ltd., for $309 million.

Combined with a CME transaction, the total sale price for Dow Jones Indexes approaches $1 billion, a value that analysts and investors didn't generally ascribe the unit when Dow Jones was sold to **News Corp.** in late 2007 for more than $5.3 billion.

That price should help ease some of the pain of the Dow Jones acquisition, which was written down by $2.8 billion.

The benchmark will keep its name and Dow Jones will remain involved in decisions on it.

The purchase also pushes Chicago-based CME Group deeper into the investment-information business, packaging and calculating lists of stocks and other investments for use in futures, options, mutual funds and other investment products.

Such a deal would further cement the CME's rise to prominence in the world of financial exchanges. Today the company has a market capitalization of roughly three times NYSE Euronext, which operates the storied New York Stock Exchange.

—Shira Ovide contributed to this article.

Credit Suisse prospers as private bank gains

By Deborah Ball

ZURICH—**Credit Suisse Group**, which emerged from the financial crisis among the world's strongest banks, swung to a fourth-quarter net profit despite a slowdown in investment-banking activity late last year that undercut the solid performance of its private bank.

The Zurich-based bank, which weathered the crisis without state aid, posted a net profit of 793 million Swiss francs ($742.6 million) in the last quarter of 2009, compared with a loss of 6.02 billion francs for the same period in 2008. For the full year, the bank had a profit of 6.72 billion francs, compared with a 2008 loss of 8.22 billion francs.

The fourth quarter was the weakest of the year for Credit Suisse, due to the slowdown in investment-banking activity as well as a 500 million franc charge following a settlement with U.S. authorities for hiding transactions with clients in countries subject to American sanctions.

Meanwhile, Credit Suisse's private bank continued to show strength, having profited from the travails of cross-town rival **UBS** AG, which suffered from a bruising battle with the U.S. over hidden accounts held by American taxpayers as well as huge losses by its investment bank. While UBS's private bank saw net withdrawals of 90 billion francs last year, Credit Suisse's private bank had a net inflow of 42 billion francs, with 6.4 billion in the fourth quarter.

By contrast, Credit Suisse's investment bank saw pretax income fall to 1.3 billion francs in the fourth quarter from two billion francs in the previous three months, due to a sharp drop in fixed-income and equities trading. Other European and U.S. banks have reported a similar slowdown in activity late last year. However, Credit Suisse Chief Executive Brady Dougan sees a pickup in activity this year.

"Our transaction pipeline is the best we've seen since the crisis," Mr. Dougan said. In particular, the bank sees a pickup in initial public offerings, mergers and acquisitions, and leveraged-finance activity this year.

The bank will pay 6.85 billion francs in bonuses for 2009, down 21% from 2007; Credit Suisse didn't disclose the amount it paid in bonuses for 2008. About 60%, or 4.1 billion francs, of the 2009 total will be in cash, for an average of 144,000 francs per employee, with the rest in deferred awards, including shares, which will be subject to clawbacks if performance targets aren't met.

Members of the bank's executive board, including Mr. Dougan, will receive no cash bonus but will instead receive deferred awards. Compensation at the investment bank amounted to 41% of 2009 revenues, a historic low and off the 56% level paid out in 2005. Compensation "is a difficult issue, but one that we hope we moved in the right direction on," Mr. Dougan said.

Euro weakens as traders seek support details

By Don Curren And Katie Martin

TORONTO—The euro extended its losses Thursday amid the lack of detail on the euro-zone countries' show of support for Greece, and a longer-term thrashing seems a near certainty even if a deal is struck.

CURRENCY MARKETS

The euro's decline below $1.3650 takes it back to levels of Monday, effectively erasing the advance it had since recorded amid optimism that a solution for the fiscal and sovereign-debt problems in Greece was near.

Traders were hopeful that Thursday's meeting of the European Council would produce a solid rescue plan for the euro member, which is struggling to convince investors that it can repay debts.

Instead, European Council President Herman Van Rompuy said only, "Euro-area member states will take determined and coordinated action if needed to safeguard financial stability in the euro area as a whole."

"The lack of details, and it seems that everything is going to be delayed until the finance ministers [meeting] next week, is just the worst of all worlds for markets," said Jeremy Stretch, senior currency strategist at Rabobank International in London.

By midday in New York, the euro had slumped to $1.3644 from $1.3730 late Wednesday. The common currency weakened to 122.50 yen from 123.52 yen. The dollar moved to 89.78 yen from 89.96 yen. The pound strengthened to $1.5651 from $1.5585. The dollar strengthened to 1.0741 Swiss francs from 1.0679 francs.

If no deal is reached on Greece, the prospects for euro-zone government-bond markets, economic growth in the 16 nations that use the euro and the currency are grim.

However, even if a rescue package is announced, it still won't fix all the problems in Greece or the currency bloc as a whole.

Crucially, a bailout wouldn't guarantee a robust economic recovery by Greece. What is more, any bailout would inevitably spark speculation over assistance for other euro-zone nations with heavy debt.

FUND SCORECARD

Asia Bond

funds category consists of all funds investing in Asian Bonds and money market securities, exclusive of those that qualify for one of the currency-specific categories above. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending February 11, 2010

Leading 15 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
NS	**Principal Asia Pacific H Inc Bd**	Principal Global Investors (Asia) Ltd	USD	Hong Kong	**0.82**	39.48	0.68	NS
4	**ING (L) Renta Asian Debt P Acc**	ING Investment Management Luxembourg	USD	Luxembrg	**1.42**	35.76	8.10	6.38
2	**First State Asian Quality Bond I**	First State Investments (Hong Kong) Ltd	USD	Ireland	**2.18**	35.60	1.94	2.49
4	**Lloyds TSB Money NZD**	Lloyds TSB Offshore Fund Managers	NZD	Jersey	**-4.87**	31.35	-2.50	5.12
2	**Legg Mason Asian Bond**	Legg Mason Asset Mgnt Singapore Pte Ltd	SGD	Singapore	**-0.79**	30.00	1.86	5.96
5	**CS BF (Lux) Asia Aberdeen A**	Credit Suisse Bd Fd Management Company	USD	Luxembrg	**1.20**	27.75	6.52	NS
4	**Templeton Asian Bond A Acc $**	Franklin Templeton Investment Funds	USD	Luxembrg	**0.73**	27.68	7.06	NS
3	**CAAM Funds Asian Income C**	Crédit Agricole-LCL	USD	Luxembrg	**0.23**	27.27	1.73	2.95
2	**Aberdeen SP Asia Credit SGD**	Aberdeen Asset Management Asia Limited	SGD	Singapore	**0.26**	27.06	-0.04	2.43
4	**BGF Asian Tiger Bond A1 USD**	Blackrock (Luxembourg) S.A.	USD	Luxembrg	**0.17**	26.04	6.63	5.19

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	02/10	EUR	48.83	-10.6	9.1	-25.1
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	02/10	USD	9.85	-5.0	30.8	-12.2
Am Eq Blend B	US	EQ	LUX	02/10	USD	9.24	-5.2	29.6	-13.1
Am Growth A	US	EQ	LUX	02/10	USD	29.09	-6.9	31.4	-2.5
Am Growth AX	US	EQ	LUX	02/10	USD	31.42	-6.8	32.2	-2.0
Am Growth B	US	EQ	LUX	02/10	USD	24.43	-7.0	30.1	-3.5
Am Growth C	US	EQ	LUX	02/10	USD	26.31	-6.9	30.8	-2.9
Am Growth I	US	EQ	LUX	02/10	USD	32.27	-6.8	32.5	-1.8
Am Income A	US	BD	LUX	02/10	USD	8.42	-0.1	23.7	5.6
Am Income A2	US	BD	LUX	02/10	USD	19.14	0.5	24.2	5.8
Am Income A2	OT	OT	NA	02/10	HKD	148.72	0.5	24.2	5.8
Am Income AT	OT	OT	NA	02/10	HKD	65.35	0.5	24.1	5.8
Am Income AT	US	BD	LUX	02/10	USD	8.41	0.5	24.1	5.8
Am Income B	US	BD	LUX	02/10	USD	8.42	-0.1	22.8	4.8
Am Income B2	US	BD	LUX	02/10	USD	16.48	0.4	23.4	5.0
Am Income B2	OT	OT	NA	02/10	HKD	128.05	0.4	23.4	5.0
Am Income BT	OT	OT	NA	02/10	HKD	65.73	0.0	22.8	4.8
Am Income BT	US	BD	LUX	02/10	USD	8.46	0.0	22.8	4.8
Am Income C	US	BD	LUX	02/10	USD	8.42	-0.1	23.1	5.1
Am Income C2	US	BD	LUX	02/10	USD	24.52	0.5	23.7	5.3
Am Income I	US	BD	LUX	02/10	USD	8.42	-0.1	24.3	6.2
Am Value A	US	EQ	LUX	02/10	USD	8.24	-3.4	18.9	-11.5
Am Value B	US	EQ	LUX	02/10	USD	7.57	-3.6	17.5	-12.4
Am Value C	US	EQ	LUX	02/10	USD	8.24	-3.4	18.4	-11.9
Am Value I	US	EQ	LUX	02/10	USD	8.87	-3.4	19.7	-10.8
Emg Mkts Debt A	GL	BD	LUX	02/10	USD	15.41	-1.0	40.8	7.5
Emg Mkts Debt A2	GL	BD	LUX	02/10	USD	20.06	-0.2	41.7	7.9
Emg Mkts Debt AT	GL	BD	LUX	02/10	USD	15.48	-0.8	40.9	7.6
Emg Mkts Debt B	GL	BD	LUX	02/10	USD	15.41	-1.0	39.6	6.5
Emg Mkts Debt B2	GL	BD	LUX	02/10	USD	19.29	-0.4	40.2	6.8
Emg Mkts Debt BT	GL	BD	LUX	02/10	USD	15.45	-0.8	39.5	6.5
Emg Mkts Debt C	GL	BD	LUX	02/10	USD	15.41	-1.0	40.2	7.1
Emg Mkts Debt C2	GL	BD	LUX	02/10	USD	19.70	-0.3	41.0	7.4
Emg Mkts Debt I	GL	BD	LUX	02/10	USD	15.41	-1.0	41.4	8.1
Emg Mkts Growth A	GL	EQ	LUX	02/10	USD	31.71	-8.5	64.1	-11.6
Emg Mkts Growth B	GL	EQ	LUX	02/10	USD	26.84	-8.6	62.5	-12.5
Emg Mkts Growth C	GL	EQ	LUX	02/10	USD	27.47	-8.6	63.4	-12.0
Emg Mkts Growth I	GL	EQ	LUX	02/10	USD	35.18	-8.4	65.4	-10.9
Eur Growth A	OT	OT	LUX	02/10	USD	9.16	-5.1	22.2	-14.8
Eur Growth A	OT	OT	LUX	02/10	EUR	6.67	-5.1	22.2	-14.8
Eur Growth B	OT	OT	LUX	02/10	EUR	5.99	-5.2	21.0	-15.7
Eur Growth B	OT	OT	LUX	02/10	USD	8.23	-5.2	21.0	-15.7
Eur Growth C	EU	EQ	LUX	02/10	EUR	5.05	-5.3	21.7	-15.2
Eur Growth I	OT	OT	LUX	02/10	USD	10.00	-5.1	23.2	-14.1
Eur Growth I	OT	OT	LUX	02/10	EUR	7.28	-5.1	23.2	-14.1
Eur Income A	OT	OT	LUX	02/10	EUR	6.67	1.1	40.0	5.6
Eur Income A	OT	OT	LUX	02/10	USD	9.16	1.1	40.0	5.6
Eur Income A2	OT	OT	LUX	02/10	EUR	13.10	1.8	40.9	5.9
Eur Income A2	OT	OT	LUX	02/10	USD	18.00	1.8	40.9	5.9
Eur Income AT	EU	BD	LUX	02/10	EUR	6.67	1.9	41.0	5.9
Eur Income B	OT	OT	LUX	02/10	EUR	6.67	1.1	39.3	4.9
Eur Income B	OT	OT	LUX	02/10	USD	9.16	1.1	39.3	4.9
Eur Income B2	OT	OT	LUX	02/10	EUR	12.17	1.7	39.7	5.0
Eur Income B2	OT	OT	LUX	02/10	USD	16.72	1.7	39.7	5.0
Eur Income BT	EU	BD	LUX	02/10	EUR	6.67	1.2	39.3	4.8
Eur Income C	OT	OT	LUX	02/10	EUR	6.67	1.1	39.5	5.2
Eur Income C	OT	OT	LUX	02/10	USD	9.16	1.1	39.5	5.2
Eur Income C2	OT	OT	LUX	02/10	USD	13.05	1.7	40.2	5.3
Eur Income C2	OT	OT	LUX	02/10	USD	17.93	1.7	40.2	5.3
Eur Income I	OT	OT	LUX	02/10	EUR	6.67	1.1	40.6	6.1
Eur Income I	OT	OT	LUX	02/10	USD	9.16	1.1	40.6	6.1
Eur Strat Value A	OT	OT	LUX	02/10	EUR	8.10	-5.0	22.9	-17.0
Eur Strat Value A	OT	OT	LUX	02/10	USD	11.13	-5.0	22.9	-17.0
Eur Strat Value I	OT	OT	LUX	02/10	EUR	8.29	-5.1	23.9	-16.3
Eur Strat Value I	OT	OT	LUX	02/10	USD	11.39	-5.1	23.9	-16.3
Eur Value A	OT	OT	LUX	02/10	EUR	8.69	-5.5	26.1	-13.9
Eur Value A	OT	OT	LUX	02/10	USD	11.94	-5.5	26.1	-13.9
Eur Value B	OT	OT	LUX	02/10	USD	10.96	-5.7	24.7	-14.7
Eur Value B	OT	OT	LUX	02/10	EUR	7.98	-5.7	24.7	-14.7
Eur Value C	OT	OT	LUX	02/10	USD	11.54	-5.5	25.6	-14.2
Eur Value C	OT	OT	LUX	02/10	EUR	8.40	-5.5	25.6	-14.2
Eur Value I	OT	OT	LUX	02/10	USD	13.79	-5.5	27.1	-13.2
Eur Value I	OT	OT	LUX	02/10	EUR	10.04	-5.5	27.1	-13.2
Gl Balanced (Euro) A	OT	OT	LUX	02/10	USD	15.37	-2.4	22.4	-9.3
Gl Balanced (Euro) B	OT	OT	LUX	02/10	USD	14.96	-2.5	21.3	-10.2
Gl Balanced (Euro) C	OT	OT	LUX	02/10	USD	15.25	-2.5	22.1	-9.5
Gl Balanced (Euro) I	OT	OT	LUX	02/10	USD	15.66	-2.4	NS	NS
Gl Balanced A	US	BA	LUX	02/10	USD	15.86	-3.8	26.8	-9.2
Gl Balanced B	US	BA	LUX	02/10	USD	15.07	-3.8	25.6	-10.1
Gl Balanced C	OT	OT	LUX	02/10	USD	15.62	-3.8	26.5	-9.5
Gl Balanced C	OT	OT	LUX	02/10	EUR	11.37	-3.8	26.5	-9.5
Gl Balanced I	US	BA	LUX	02/10	USD	16.47	-3.6	27.8	-8.6
Gl Bond A	US	BD	LUX	02/10	USD	9.33	1.0	15.0	4.5
Gl Bond A2	US	BD	LUX	02/10	USD	16.23	1.4	15.4	4.6
Gl Bond A2	OT	OT	NA	02/10	HKD	126.11	1.4	15.4	4.6
Gl Bond AT	OT	OT	LUX	02/10	HKD	72.42	1.1	15.1	4.5
Gl Bond AT	US	BD	LUX	02/10	USD	9.32	1.1	15.1	4.5
Gl Bond B	US	BD	LUX	02/10	USD	9.33	1.0	14.0	3.5
Gl Bond B2	US	BD	LUX	02/10	USD	14.20	1.3	14.3	3.6
Gl Bond B2	OT	OT	NA	02/10	HKD	110.33	1.3	14.3	3.6
Gl Bond BT	OT	OT	LUX	02/10	HKD	72.73	1.1	14.1	3.5
Gl Bond BT	US	BD	LUX	02/10	USD	9.36	1.1	14.1	3.5
Gl Bond C	US	BD	LUX	02/10	USD	9.33	1.0	14.6	4.0
Gl Bond C2	US	BD	LUX	02/10	USD	14.08	1.4	14.9	4.2
Gl Bond I	US	BD	LUX	02/10	USD	9.33	1.0	15.6	5.1
Gl Conservative A	US	BA	LUX	02/10	USD	14.67	-1.3	18.1	-3.3
Gl Conservative A2	US	BA	LUX	02/10	USD	16.70	-1.4	18.1	-3.3
Gl Conservative B	US	BA	LUX	02/10	USD	14.65	-1.4	17.0	-4.2
Gl Conservative B2	US	BA	LUX	02/10	USD	15.85	-1.5	17.0	-4.2
Gl Conservative C	US	BA	LUX	02/10	USD	14.65	-1.4	17.5	-3.7
Gl Conservative C2	US	BA	LUX	02/10	USD	16.33	-1.4	17.7	-3.7
Gl Conservative I	US	BA	LUX	02/10	USD	14.75	-1.3	19.2	-2.5
Gl Eq Blend A	GL	EQ	LUX	02/10	USD	10.83	-7.1	33.4	-19.0
Gl Eq Blend B	GL	EQ	LUX	02/10	USD	10.15	-7.3	32.0	-19.8
Gl Eq Blend C	GL	EQ	LUX	02/10	USD	10.63	-7.2	32.7	-19.3
Gl Eq Blend I	GL	EQ	LUX	02/10	USD	11.43	-7.1	34.3	-18.3
Gl Growth A	GL	EQ	LUX	02/10	USD	38.85	-7.3	29.6	-20.0
Gl Growth B	GL	EQ	LUX	02/10	USD	32.40	-7.4	28.3	-20.8
Gl Growth C	GL	EQ	LUX	02/10	USD	37.27	-7.3	29.1	-20.4
Gl Growth I	GL	EQ	LUX	02/10	USD	43.18	-7.2	30.7	-19.4
Gl High Yield A	US	BD	LUX	02/10	USD	4.30	-0.7	53.8	5.5
Gl High Yield A2	US	BD	LUX	02/10	USD	9.29	0.3	55.1	5.9
Gl High Yield A2	OT	OT	NA	02/10	HKD	72.18	0.3	55.1	5.9
Gl High Yield AT	OT	OT	NA	02/10	HKD	33.18	0.4	55.3	5.8
Gl High Yield AT	US	BD	LUX	02/10	USD	4.27	0.4	55.3	5.8
Gl High Yield B	US	BD	LUX	02/10	USD	4.30	-0.7	52.1	4.3
Gl High Yield B2	US	BD	LUX	02/10	USD	14.91	0.2	53.6	4.7
Gl High Yield B2	OT	OT	NA	02/10	HKD	115.85	0.2	53.6	4.7
Gl High Yield BT	OT	OT	NA	02/10	HKD	33.72	-0.5	52.9	4.5
Gl High Yield BT	US	BD	LUX	02/10	USD	4.34	-0.5	52.9	4.5
Gl High Yield C	US	BD	LUX	02/10	USD	4.30	-0.7	53.1	5.0
Gl High Yield C2	US	BD	LUX	02/10	USD	13.76	0.3	54.4	5.3
Gl High Yield I	US	BD	LUX	02/10	USD	4.30	-0.7	54.8	6.2
Gl Thematic Res. A	OT	OT	LUX	02/10	USD	13.73	-6.8	67.4	0.1
Gl Thematic Res. B	OT	OT	LUX	02/10	USD	12.00	-6.9	65.7	-0.8
Gl Thematic Res. I	OT	OT	LUX	02/10	USD	15.32	-6.8	68.7	0.9
Gl Value A	GL	EQ	LUX	02/10	USD	10.37	-6.9	37.4	-17.9
Gl Value B	GL	EQ	LUX	02/10	USD	9.51	-7.1	35.9	-18.7
Gl Value C	GL	EQ	LUX	02/10	USD	10.07	-7.0	36.6	-18.3
Gl Value I	GL	EQ	LUX	02/10	USD	11.03	-6.9	38.4	-17.3
Greater China A	AS	EQ	LUX	02/10	USD	36.61	-8.5	49.1	-11.9
Greater China B	AS	EQ	LUX	02/10	USD	32.36	-8.6	47.6	-12.8
Greater China C	AS	EQ	LUX	02/10	USD	36.13	-8.6	48.4	-12.4
India Growth A	OT	OT	LUX	02/10	USD	118.76	-6.4	NS	NS
India Growth AX	OT	OT	LUX	02/10	USD	103.84	-6.4	80.3	-5.8
India Growth B	OT	OT	LUX	02/10	USD	124.27	-6.5	NS	NS
India Growth BX	OT	OT	LUX	02/10	USD	88.66	-6.5	78.5	-6.7
India Growth I	EA	EQ	LUX	02/10	USD	107.67	-6.3	81.0	-5.4
Int'l Health Care A	OT	EQ	LUX	02/10	USD	133.99	-2.5	16.7	-6.7
Int'l Health Care B	OT	EQ	LUX	02/10	USD	112.89	-2.6	15.5	-7.6
Int'l Health Care C	OT	EQ	LUX	02/10	USD	128.35	-2.6	16.2	-7.1
Int'l Health Care I	OT	EQ	LUX	02/10	USD	146.53	-2.4	17.6	-5.9
Int'l Technology A	OT	EQ	LUX	02/10	USD	101.73	-7.8	41.7	-6.3
Int'l Technology B	OT	EQ	LUX	02/10	USD	88.05	-7.9	40.3	-7.2
Int'l Technology C	OT	EQ	LUX	02/10	USD	98.26	-7.9	41.1	-6.7
Int'l Technology I	OT	EQ	LUX	02/10	USD	114.17	-7.7	42.8	-5.5
Japan Eq Blend A	JP	EQ	LUX	02/10	JPY	5805.00	-3.6	24.0	-17.9
Japan Eq Blend B	JP	EQ	LUX	02/10	JPY	5596.00	-3.7	22.7	-18.7
Japan Eq Blend C	JP	EQ	LUX	02/10	JPY	5710.00	-3.7	23.4	-18.3
Japan Growth A	JP	EQ	LUX	02/10	JPY	5537.00	-5.7	14.4	-19.4
Japan Growth B	JP	EQ	LUX	02/10	JPY	5337.00	-5.8	13.2	-20.2
Japan Growth C	JP	EQ	LUX	02/10	JPY	5446.00	-5.8	13.8	-19.7
Japan Strat Value A	JP	EQ	LUX	02/10	JPY	6045.00	-1.2	34.0	-16.7
Japan Strat Value B	JP	EQ	LUX	02/10	JPY	5832.00	-1.3	32.7	-17.6
Japan Strat Value C	JP	EQ	LUX	02/10	JPY	5940.00	-1.3	33.4	-17.1
Real Estate Sec. A	OT	EQ	LUX	02/10	USD	13.28	-7.5	47.2	-14.5
Real Estate Sec. B	OT	EQ	LUX	02/10	USD	12.12	-7.6	45.7	-15.4
Real Estate Sec. I	OT	EQ	LUX	02/10	USD	14.28	-7.4	48.3	-13.8
Short Mat Dollar A	US	BD	LUX	02/10	USD	7.27	0.0	13.5	-5.4
Short Mat Dollar A2	US	BD	LUX	02/10	USD	9.83	0.4	13.8	-5.3
Short Mat Dollar AT	US	BD	LUX	02/10	USD	7.26	0.1	13.5	-5.4
Short Mat Dollar B	US	BD	LUX	02/10	USD	7.27	0.0	13.0	-5.8
Short Mat Dollar B2	US	BD	LUX	02/10	USD	9.78	0.4	13.3	-5.7
Short Mat Dollar BT	OT	OT	LUX	02/10	USD	7.27	0.0	NS	-6.1
Short Mat Dollar C	US	BD	LUX	02/10	USD	7.27	0.0	13.0	-5.8
Short Mat Dollar C2	US	BD	LUX	02/10	USD	13.82	0.4	13.2	-5.7
Short Mat Dollar I	US	BD	LUX	02/10	USD	7.27	0.0	14.0	-4.9

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	12/31	USD	1691.35	74.6	74.6	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	02/05	USD	101.90	1.9	23.8	21.0
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	11/30	USD	96.31	14.7	11.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	12/31	USD	93.12	24.4	24.4	-8.6
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	12/31	SEK	617.36	13.2	13.2	-16.2
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	11/30	USD	57.51	NS	NS	-33.7
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	02/09	USD	31.98	-21.6	-62.1	-13.9
Superfund GCT USD*	GL	EQ	LUX	02/09	USD	1794.00	-18.2	-51.2	-10.8
Superfund Green Gold A (SPC)	OT	OT	CYM	02/09	USD	823.27	-14.6	-30.2	-4.4
Superfund Green Gold B (SPC)	OT	OT	CYM	02/09	USD	740.31	-20.9	-46.2	-11.1
Superfund Q-AG*	OT	OT	AUT	02/09	EUR	5786.00	-12.6	NS	-2.9
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	01/29	EUR	191.46	-2.7	-8.1	4.3
Winton Futures GBP Cls D	OT	OT	VGB	01/29	GBP	207.19	-2.7	-7.6	5.2
Winton Futures JPY Cls E	OT	OT	VGB	01/29	JPY	13526.58	-2.6	-9.3	2.0
Winton Futures USD Cls B	OT	OT	VGB	01/29	USD	680.91	-2.6	-8.1	4.0
■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	02/11	EUR	48.80	-6.5	32.4	-7.6
Industria AE	EU	EQ	DEU	02/11	EUR	69.40	-3.0	29.0	-12.5
InternRent AE	EU	BD	DEU	02/11	EUR	37.03	5.1	2.8	9.6
■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	02/05	USD	280811.90	2.3	117.7	10.5

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MARKETS

EU pledge on Greece pulls up U.S. stocks

By Peter A. McKay

U.S. stocks gained as a meeting of European leaders issued a written pledge to support Greece, though there will be no direct aid for now.

Investors said even the vague assurances that Greece would be monitored calmed nerves fraying over the 16-nation euro zone. Worries about Greece's heavy debt load had spilled over to bond markets of other heavily indebted nations.

ABREAST OF THE MARKET

"The effects of Greece itself weren't as much as a concern as the risk that there could be more shoes to fall and that they could have a contagion effect on our own debt issuances," said Julius Ridgway, investment adviser at Medley & Brown. "Anything that looks like it may be keeping that from being a problem is going to be viewed positively."

The Dow Jones Industrial Average, which traded in the red for much of the morning, was up 92.66, or 0.9% to 10131.04 in midday trade. The Nadsaq Composite Index was up 1% to 2170.0. The Standard & Poor's 500-share index was up 0.8% to 1076.76.

Pepsico added 0.8% after the beverage giant reported fourth-quarter net income of $1.4 billion, or 90 cents a share, in line with expectations.

FirstEnergy fell 5.2% after it agreed to a $4.7 billion takeover of Mid-Atlantic utility Allegheny Energy. **Allegheny** jumped 11%.

JinkoSolar postponed its initial public offering, becoming the third Chinese solar-related company to fail to come public since mid-December. The company, which attempted to price its IPO Tuesday and Wednesday, cited market conditions as the reason behind its decision to postpone its deal.

European stocks

European shares posted small gains, coming off earlier higher as details of European assurances to Greece left out any pledge of specific aid.

The pan-European Dow Jones Stoxx 600 index added 0.3% to 241.74. The Greek ASE Composite index ended fractionally lower at 1940.31.

"The message of the core of Europe towards Greece is 'put your house in order and we will help later,' " said Fortis strategist Philippe Gijsels.

Spain's Ibex 35 index dropped 1.7% to 10281.70 as its economy contracted 3.1% during the fourth quarter from a year earlier.

Among other major national indexes, the French CAC-40 index declined 0.5% to 3616.75 as oil group **Total** climbed 1.5% on strong earnings. The German DAX index fell 0.6% to 5503.93.

The U.K. FTSE 100 index gained 0.6% to 5161.48. Miner **Rio Tinto** gained 2.4% on its earnings report.

—Sarah Turner in London contributed to this article.

Treasury prices mixed after 3-year auction

By Kelly Nolan

NEW YORK—The U.S. Treasury's 30-year bond came in at a yield of 4.720% in the 1 p.m. auction on Thursday, above the 4.681% just before the sale, meaning the auction tailed and the government had to pay up to find the notes a home.

The bid-to-cover ratio was 2.36, below the 2.68 in January and the 2.45 in December. Indirect bids, a proxy for demand from foreign buyers including central banks, were low at 29%, compared with 40.7% in January and 40.2% in December.

U.S. CREDIT MARKETS

Prices were mixed following the $16 billion auction, with the 30-year bond down 23/32 to yield 4.683%, while the 10-year note was up 1 20/32 to yield 3.740%. The two-year note was flat to yield 0.883%.

Throughout the morning, investors were digesting news that euro-zone officials agreed to support Greece if needed, but offered no detailed bailout plan.

The short-end was trading around unchanged, helped by haven buying.

Thursday morning, the euro was under pressure, but had rebounded from the day's lows, trading around the $1.3637 level, as European Council President Herman Van Rompuy said euro-zone states will show "solidarity" if needed. U.S. stocks were a bit higher, having recovered from earlier declines.

Hang Seng gains 1.9% as China inflation eases

By V. Phani Kumar And Colin Ng

Hong Kong shares jumped 1.9% Thursday after data showed lower-than-expected inflation in China, while Seoul's main stock index climbed 1.8%, helped by gains in financial firms and companies with strong exposure to China.

ASIAN-PACIFIC STOCKS

Australia's market climbed after a strong employment report. Most other Asian markets also rose, with sentiment helped by hopes for a Greek rescue plan. Japan's market was closed for National Foundation Day, and Taiwan's was shut for Pre-Chinese New Year.

In Hong Kong, the Hang Seng Index rose 368.47 points to 20290.69, its third consecutive gain.

China's consumer-price index rose 1.5% in January from a year earlier, with the rate slowing from December's 1.9% increase. "This is good news for the market. Inflation being slightly lower means less possibility for tightening measures in the near term," said Qian Qimin from Shenyin Wanguo Securities.

Peter Lai, a director at DBS Vickers, said the market also got a boost as investors bought shares to cover their short-sale positions ahead of the forthcoming Chinese New Year holidays.

Mainland stocks were broadly higher in Hong Kong. The H-share index, which tracks the Hong Kong-listed shares of mainland China-registered firms, rose 2.1%. **Bank of Communications** gained 3.8%, **PetroChina** added 2%, and **Maanshan Iron & Steel** Co. jumped 4.7%.

Semiconductor Manufacturing International Corp. rose 6.3% after China's largest chip foundry by capacity said Wednesday it plans to boost its capital spending by 76% this year to migrate to more-advanced technology

In Seoul, the Korea Composite Stock Price Index, or Kospi, advanced 27.69 points to 1597.81, helped by hopes for a rescue plan for debt-laden Greece.

Among China plays, resource stocks and shipbuilders did well as concerns eased about any imminent tightening in China. **Hyundai Heavy Industries** jumped 7.1%, **Posco** rose 1.5% and **SK Energy** added 3.6%.

Financial stocks gained after the Bank of Korea left its benchmark interest rate unchanged at 2%, as widely expected. **KB Financial Group** advanced 4.4%. **Woori Finance Holdings** added 2.2% despite weak fourth-quarter results.

Australia's S&P/ASX 200 rose 0.9% to 4554.30, getting a boost from a very strong jobs report. The economy added 52,700 jobs in January, beating expectations for an increase of 15,000, while the unemployment rate came in at 5.3%, compared with the 5.6% rate expected.

Commonwealth Bank of Australia gained 2.3%, **QBE Insurance Group** added 2.4%, and **Qantas Airways** advanced 1.4%.

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GAM

■ GAM FUND MANAGEMENT LIMITED
George's Court, 54-62 Townsend Street, Dublin 2, Ireland
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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/29	USD	1281.74	3.1	26.0	-6.3
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	02/08	JPY	13721.98	-11.7	57.6	1.3
GAM Asia Equity Hedge US	OT	OT	VGB	02/08	USD	255.95	-11.8	56.3	1.3
GAM Asia Equity USD	OT	OT	VGB	02/10	USD	589.18	-9.9	53.0	-11.1
GAM Asia-Pacific Eq USD	OT	OT	VGB	02/09	USD	1230.81	-4.1	25.8	-14.8
GAM Com Glb Bal EUR Op	US	BA	VGB	01/29	EUR	95.18	-0.9	18.6	-6.9
GAM Com Glb Bal USD Op	US	BA	VGB	01/29	USD	126.69	-0.9	18.6	-6.9
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/29	EUR	96.36	-3.0	27.9	-12.8
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/29	USD	123.73	-3.0	27.9	-12.8
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/29	EUR	85.73	-2.1	20.1	-10.4
GAM Comp Glb Gr USD Op	US	BA	VGB	01/29	USD	124.45	-2.1	20.1	-10.4
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	02/05	USD	233.32	-6.2	37.2	-10.9
GAM Cross Trading Inc	OT	OT	VGB	01/29	USD	463.36	-0.5	3.9	4.2
GAM Diversity CHF Op	OT	OT	VGB	01/29	CHF	93.70	-0.6	3.1	-6.1
GAM Diversity EUR Op	OT	OT	VGB	01/29	EUR	644.42	-0.6	3.8	-4.6
GAM Diversity USD 2.5XL	OT	OT	VGB	01/29	USD	77.01	-1.6	6.6	-17.7
GAM Diversity USD Op	OT	OT	VGB	01/29	USD	676.99	-0.6	3.8	-5.1
GAM Dvrsty II CHF Op	OT	OT	VGB	01/29	CHF	98.76	-0.7	2.4	-5.9
GAM Dvrsty II EUR Op	OT	OT	VGB	01/29	EUR	137.79	-0.7	3.2	-4.8
GAM Dvrsty II USD Op	OT	OT	VGB	01/29	USD	208.73	-0.7	3.0	-5.2
GAM DvrstyIII EUR Op	OT	OT	VGB	01/29	EUR	114.71	-0.7	3.1	-5.0
GAM DvrstyIII USD Op	OT	OT	VGB	01/29	USD	121.15	-0.7	3.3	-5.1
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	02/08	EUR	217.71	-0.5	11.4	-3.3
GAM Euro Eq Hdg USD Op	OT	OT	VGB	02/08	USD	202.20	-0.6	12.5	-1.8
GAM European Equity USD	OT	OT	VGB	02/09	USD	265.56	-9.4	21.1	-12.0
GAM GAMCO	OT	EQ	VGB	02/02	USD	796.10	-1.8	42.9	-8.4
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	02/08	EUR	94.03	-3.9	9.9	-17.2
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	02/08	USD	99.39	-3.7	10.6	-16.4
GAM Gbl Divers USD Inc.	GL	EQ	VGB	02/08	USD	243.55	-2.5	31.9	-7.5
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	02/08	USD	252.20	-12.0	93.4	18.7
GAM Intrst Trend II	GL	BD	VGB	01/29	USD	102.96	9.4	60.6	-4.7
GAM Intrst Trend Inc	OT	OT	VGB	02/08	USD	272.95	9.0	76.3	-2.6
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	02/08	EUR	119.86	2.7	10.7	-3.6
GAM Japan Eq Hdg USD Op	OT	OT	VGB	02/08	USD	122.85	0.7	16.0	-14.2
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	02/08	JPY	8463.59	0.7	16.3	-15.9
GAM Japan USD	JP	EQ	VGB	02/10	USD	1101.15	-0.1	18.3	-11.7
GAM Japan YEN	JP	EQ	VGB	02/10	JPY	8697.14	-1.5	20.9	-17.5
GAM Money Mkt EuroOp	EU	MM	VGB	02/09	EUR	51.15	0.1	0.1	1.5
GAM Money Mkt USD	US	MM	VGB	02/09	USD	100.02	0.1	0.0	0.7
GAM Multi-Arb EUR Op	OT	OT	VGB	01/29	EUR	111.88	0.6	0.6	-8.6
GAM Multi-Arb USD Op	OT	OT	VGB	01/29	USD	116.76	0.6	0.8	-9.0
GAM Multi-China EUR Op	OT	OT	VGB	01/29	EUR	161.24	-4.0	7.9	-6.3
GAM Multi-China USD Op	OT	OT	VGB	01/29	USD	169.83	-3.8	8.7	-6.9
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/29	GBP	129.74	-1.3	24.0	-0.2
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/29	USD	642.13	-1.4	24.0	-0.7
GAM Multi-Eur EUR Op	OT	OT	VGB	01/29	EUR	267.33	-0.6	5.5	-7.0
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/29	EUR	137.55	-0.6	5.5	-7.0
GAM Multi-Eur II USD Op	OT	OT	VGB	01/29	USD	112.47	-0.5	5.2	-8.1
GAM Multi-Eur USD Op	OT	OT	VGB	01/29	USD	465.05	-0.6	5.3	-8.0
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/29	EUR	133.17	-0.6	9.4	-1.6
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/29	USD	216.83	-0.6	10.3	-1.8
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/29	EUR	140.30	-2.2	2.0	-3.0
GAM Multi-Pac USD Op	OT	OT	VGB	01/29	USD	162.00	-2.1	2.2	-3.3
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/29	USD	2661.43	0.9	63.5	11.4
GAM Sing/Malaysia	AS	EQ	VGB	02/10	USD	2342.65	-7.2	53.1	-9.5
GAM Sterling Spe Bd Inc	OT	OT	VGB	02/01	GBP	238.93	3.9	47.8	5.1
GAM Trading EUR Inc	OT	OT	VGB	01/29	EUR	323.33	-0.6	3.4	5.3
GAM Trading USD Inc	OT	OT	VGB	01/29	USD	967.86	-0.5	3.7	4.7
GAM Trdg II IncEUR Op	OT	OT	VGB	01/29	EUR	138.29	-0.6	3.2	5.2
GAM Trdg II IncUSD Op	OT	OT	VGB	01/29	USD	314.27	-0.5	3.8	4.7
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/29	EUR	145.89	-0.6	3.0	4.9
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/29	USD	153.64	-0.6	3.5	4.5
GAM Trdg V IncEUR Op	OT	OT	VGB	01/29	EUR	123.71	-0.6	3.0	4.8
GAM Trdg V IncUSD Op	OT	OT	VGB	01/29	USD	128.91	-0.5	3.4	4.5
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/29	EUR	156.01	-0.6	3.1	5.0
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/29	USD	161.61	-0.6	3.5	4.6
GAM USDSpecBondInc	US	BD	VGB	02/01	USD	556.65	5.0	81.7	8.9
GAM Worldwide	GL	EQ	VGB	02/09	USD	2054.19	-7.7	25.9	-9.6
GAMut Investments	OT	OT	VGB	02/03	USD	7617.96	0.5	1.7	7.3

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	02/09	CHF	10.10	-8.5	35.4	-13.3
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	02/09	EUR	11.02	-7.4	42.2	-8.7
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	02/09	GBP	1.44	-8.4	42.9	-0.9
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	02/09	USD	11.94	-11.0	51.1	-10.7
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	02/09	EUR	99.79	-1.3	20.4	-9.5
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	02/09	EUR	96.57	-1.3	20.4	-9.5
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	02/09	EUR	10.39	-5.5	18.6	-6.9
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	02/09	EUR	172.69	-5.7	16.3	-9.7
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	02/09	EUR	157.79	-5.7	16.3	-9.7
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	02/09	USD	14.52	-9.2	23.4	-11.9
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	02/09	USD	13.17	-9.2	23.4	-11.9
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	02/09	USD	5.44	-0.9	37.3	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	02/09	EUR	89.28	1.5	15.4	-7.8
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	02/09	EUR	89.28	1.5	15.4	-7.8
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	02/09	JPY	902.75	-2.0	20.3	-17.5
GAMStar-JpnEq USD Acc	JP	EQ	IRL	02/09	USD	11.05	-0.6	18.3	-11.8
GAMStar-World EqUSD Acc	GL	EQ	IRL	02/09	USD	2069.60	-7.5	27.0	-9.1

LIST YOUR FUNDS

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■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	02/11	USD	14.51	-5.0	26.7	-10.5
American Growth AA	US	EQ	LUX	02/11	USD	0.84	-4.8	21.2	-8.5
Asian Equity	AS	EQ	LUX	02/11	USD	2.28	-7.0	59.6	-7.4
Asian Equity AA	AS	EQ	LUX	02/11	USD	0.73	-8.3	55.8	-9.3
Asian Sm Cap Equity AA	AS	EQ	LUX	02/11	USD	1.10	-5.5	86.0	-3.7
China Value A	AS	EQ	LUX	02/11	USD	6.48	-8.9	53.2	-4.0
China Value AA	AS	EQ	LUX	02/11	USD	2.04	-8.9	52.8	-4.2
Dragon Growth	AS	EQ	LUX	02/11	USD	1.52	-7.4	57.4	-6.5
Dragon Growth AA	OT	OT	LUX	02/11	HKD	7.42	-9.1	52.5	-9.5
Emg Eastrn Europe A	EU	EQ	LUX	02/11	USD	4.40	-4.6	105.0	-13.7
Emg Eastrn Europe AA	EU	EQ	LUX	02/11	USD	1.89	-4.7	104.7	-13.8
European Growth	EU	EQ	LUX	02/11	USD	8.41	-8.2	45.0	-14.8
European Growth AA	EU	EQ	LUX	02/11	USD	0.60	-7.6	40.7	-14.8
Global Contrarain AA	GL	EQ	LUX	02/11	USD	0.88	-0.4	90.9	NS
Global Property AA	OT	EQ	LUX	02/11	USD	0.64	-6.4	50.2	-12.8
Global Resources AA	OT	EQ	LUX	02/11	USD	1.01	-6.9	34.7	-13.4
Healthcare AA	OT	EQ	LUX	02/11	USD	0.92	-2.1	11.2	NS
India Equity AA	EA	EQ	LUX	02/11	USD	1.02	-8.6	65.6	-15.1
International Growth	GL	EQ	LUX	02/11	USD	2.90	-5.1	24.8	-13.2
International Growth AA	GL	EQ	LUX	02/11	USD	0.67	-5.1	20.3	-13.3
Japanese Growth	JP	EQ	LUX	02/11	USD	2.73	-0.9	16.3	-9.7
Japanese Growth AA	JP	EQ	LUX	02/11	USD	0.72	-0.3	18.2	-9.3
Latin America Equity AA	GL	EQ	LUX	02/11	USD	1.18	-8.7	73.8	-4.7
Manulife GF Strategic Income Fund AA	OT	OT	NA	02/11	USD	1.00	0.1	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	02/11	USD	1.10	-4.3	NS	NS
Russia Equity AA	EE	EQ	LUX	02/11	USD	0.64	3.4	131.0	-17.3
Taiwan Equity AA	AS	EQ	LUX	02/10	USD	0.97	-10.4	74.8	0.3
Turkey Equity AA	EE	EQ	LUX	02/11	USD	0.75	-1.5	117.1	-0.2
U.S. Bond AA	US	BD	LUX	02/11	USD	1.12	1.6	18.4	7.7
U.S. Sm Cap Equity AA	US	EQ	LUX	02/11	USD	0.82	0.8	65.0	-8.4
U.S. Special Opportunities	OT	OT	LUX	02/11	USD	0.83	3.7	92.5	4.1
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	02/11	USD	1.14	0.8	7.3	2.0

■ PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	02/03	USD	131.37	3.2	127.9	-0.6

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A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	02/10	USD	7.60	-5.4	77.3	-4.4

SOCIETE GENERALE Asset Management

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Hotline in Hong Kong 2166 5099
A company of Amundi Group
www.sgam.com

Bonds Eur Hi Yld A	OT	OT	LUX	02/09	EUR	21.06	2.3	50.3	3.9
Bonds EURO A	OT	OT	LUX	02/09	EUR	41.32	0.7	5.6	4.2
Bonds EUROPE A	OT	OT	LUX	02/10	EUR	39.52	1.1	4.7	3.8
Bonds US OppsCoreplus A	OT	OT	LUX	02/09	USD	37.37	1.3	15.4	7.9
Bonds World A	OT	OT	LUX	02/10	USD	41.69	-0.7	8.9	4.4
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	02/10	USD	9.45	-9.3	55.4	-10.8
Eq. China A	AS	EQ	LUX	02/10	USD	21.35	-11.5	44.3	-10.9
Eq. Concentrated Euroland A	OT	OT	LUX	02/09	EUR	85.62	-7.9	11.4	-16.2
Eq. ConcentratedEuropeA	EU	EQ	LUX	02/09	EUR	25.24	-6.6	22.7	-15.1
Eq. Emerging Europe A	OT	OT	LUX	02/09	EUR	23.32	-1.0	86.8	-20.3
Eq. Euroland A	EU	EQ	LUX	02/09	EUR	9.97	-7.9	12.3	-16.9
Eq. Euroland Small Cap A	OT	OT	LUX	02/09	EUR	134.63	-4.6	30.6	-7.7
Eq. EurolandCyclclsA	EU	EQ	LUX	02/09	EUR	17.04	-4.3	20.5	-11.2
Eq. EurolandFinancialA	OT	EQ	LUX	02/09	EUR	9.89	-12.6	27.9	-19.8
Eq. Glbl Emg Cty A	GL	EQ	LUX	02/09	USD	8.58	-11.4	48.8	-15.5
Eq. Global A	GL	EQ	LUX	02/09	USD	26.19	-6.0	27.8	-11.0
Eq. Global Energy A	OT	OT	LUX	02/09	USD	16.89	-6.9	14.9	-13.2
Eq. Global Resources A	OT	OT	LUX	02/09	USD	100.37	-8.1	34.6	-13.5
Eq. Gold Mines A	OT	EQ	LUX	02/09	USD	27.58	-9.0	30.3	-6.8
Eq. India A	OT	OT	LUX	02/10	USD	119.34	-8.7	64.6	-15.3
Eq. Japan CoreAlpha A	OT	OT	LUX	02/10	JPY	7283.64	0.4	31.2	-7.2
Eq. Latin America A	OT	OT	LUX	02/09	USD	104.42	-10.2	58.0	-11.8
Eq. US Lg Cap Gr A	US	EQ	LUX	02/09	USD	14.33	-6.1	26.4	-10.3
Eq. US Rel Val A	US	EQ	LUX	02/09	USD	19.79	-3.9	31.7	-12.9
Eq. US Sm Cap Val A	US	EQ	LUX	02/09	USD	15.07	-5.5	21.8	-17.9
Money Market EURO A	EU	MM	LUX	02/09	EUR	27.41	0.0	0.8	2.4
Money Market USD A	US	MM	LUX	02/09	USD	15.83	0.0	0.4	1.4

The National Investor

■ THE NATIONAL INVESTOR
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TNI Mena Real Estate Fund	OT	OT	BMU	02/04	USD	924.08	-3.9	3.6	-28.5
TNI MENA Special Sits Fund	OT	OT	BMU	01/31	USD	1091.50	1.1	13.6	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	02/04	AED	5.04	-5.3	21.9	-33.0

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Investing through discipline

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**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	01/29	USD	28.14	-5.7	85.5	2.1
Intel-China Converg*	AS	EQ	CYM	01/29	USD	107.04	-6.1	85.8	1.1
VP Classic - A	AS	EQ	CYM	02/10	USD	174.08	-6.6	75.4	0.4
VP Classic - B	AS	EQ	CYM	02/10	USD	81.09	-6.7	74.6	-0.1
VP High Dividend Stk	AS	EQ	CYM	02/08	USD	43.34	-4.6	79.8	2.1

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■ YMR-N Series									
YMR-N Growth Fund	OT	OT	IRL	02/10	JPY	8913.00	-5.8	18.6	-19.0
YMR-N Small Cap Fund	OT	OT	IRL	02/10	JPY	6601.00	-5.9	18.0	-19.2
■ Yuki 77 Series									
Yuki 77 General	JP	EQ	IRL	02/10	JPY	5764.00	-6.3	8.1	-22.4
Yuki 77 Growth	JP	EQ	IRL	02/10	JPY	5288.00	-6.3	4.3	-26.6
■ Yuki Chugoku Series									
Yuki Chugoku Jpn Gen	JP	EQ	IRL	02/10	JPY	6530.00	-4.4	16.2	-18.0
Yuki Chugoku JpnLowP	JP	EQ	IRL	02/10	JPY	7430.00	-1.5	6.6	-17.5
■ Yuki Hokuyo Japan Series									
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	02/10	JPY	4460.00	-4.6	10.9	-21.7
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	02/10	JPY	5066.00	-3.5	11.0	-17.0
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	02/10	JPY	4791.00	-6.2	16.2	-18.7
■ Yuki Mizuho Series									
Yuki Mizuho Gen Jpn III	OT	OT	IRL	02/10	JPY	4127.00	-6.6	11.1	-26.3
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	02/10	JPY	4334.00	-7.1	10.2	-26.4
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	02/10	JPY	6526.00	-6.4	21.5	-20.5
Yuki Mizuho Jpn Gen	OT	OT	IRL	02/10	JPY	8109.00	-5.9	15.5	-18.7
Yuki Mizuho Jpn Gro	OT	OT	IRL	02/10	JPY	5949.00	-6.4	9.9	-21.3
Yuki Mizuho Jpn Inc	OT	OT	IRL	02/10	JPY	7328.00	-4.0	3.8	-19.4
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	02/10	JPY	4952.00	-4.6	14.2	-20.0
Yuki Mizuho Jpn LowP	OT	OT	IRL	02/10	JPY	11207.00	-3.1	16.5	-14.5
Yuki Mizuho Jpn PGth	OT	OT	IRL	02/10	JPY	7391.00	-7.1	11.0	-24.5
Yuki Mizuho Jpn SmCp	OT	OT	IRL	02/10	JPY	6621.00	-7.2	22.5	-20.6
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	02/10	JPY	5422.00	-4.0	15.6	-16.6
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	02/10	JPY	2526.00	-7.3	15.2	-26.2
■ Yuki Shizuoka Japan Series									
Yuki Shizuoka General Japan	JP	EQ	IRL	02/10	JPY	5135.00	-5.3	15.4	-19.3

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Sweden	0.05%	**-1.2%**	45.6%
Japan	Closed	**-2.9**	17.7
South Africa	0.11	**-3.7**	21.5
Netherlands	-0.95	**-4.1**	35.0
Switzerland	0.05	**-4.1**	29.1
Singapore	0.68	**-4.9**	66.1
South Korea	1.81	**-5.3**	38.8
Canada	-0.45	**-5.3**	24.7
Turkey	0.23	**-5.4**	94.6
U.K.	-0.23	**-5.4**	22.1
Australia	1.05	**-6.7**	27.5
Hong Kong	1.86	**-6.8**	47.9
Russia	0.02	**-6.9**	69.8
Germany	-1.35	**-8.7**	18.3
Italy	-1.43	**-9.3**	21.7
France	-1.47	**-9.4**	22.5
China 88	0.15	**-11.0**	31.7
Brazil	-0.49	**-12.3**	69.6
Spain	-2.40	**-13.0**	13.5

Dow Jones Regional Sector Titans

Arab 50	0.35%	**3.6%**	28.5%
Nordic 30 -p	-0.62	**0.3**	34.5
Travel Leisure	-0.24	**-0.1%**	31.2
Pers H'hold Gds	-0.21	**-1.1**	31.5
EU Enlarged†-p	1.12	**-4.1**	55.0
Asian 50	1.20	**-4.1**	37.7
Global 50	0.51	**-6.2**	25.6
Stoxx 50 -p	0.76	**-6.6**	21.8
Tiger 50*	1.50	**-6.8**	59.7
Euro Stoxx 50 -p	1.19	**-8.9**	19.1

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Thursday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
KB Fncl Group	South Korea	Banks	$16.9	51,000	**4.40%**	60.4%	-40.5%
Hutchison Whampoa	Hong Kong	Diversified Industrials	30.4	55.40	**3.45**	45.8	-30.3
Woodside Petroleum	Australia	Exploration Production	27.3	43.00	**3.22**	33.8	15.3
Aus NZ Bk	Australia	Banks	45.9	20.75	**2.72**	74.5	-29.8
RioZim Ltd	Australia	General Mining	37.4	69.72	**2.62**	69.9	13.1
Westfield Grp	Australia	Retail REITs	$24.8	12.17	**-1.22%**	10.1	-46.9
Woolworths	Australia	Food Retailers Wholesalers	27.6	25.38	**-0.47**	-8.2	-0.3
Mitsubishi UFJ Finl	Japan	Banks	70.2	453.00	**Closed**	-3.2	-69.8
Canon	Japan	Electronic Office Equipment	48.7	3,540	**Closed**	47.2	-43.9
KDDI	Japan	Mobile Telecommunications	23.7	480,000	**Closed**	-2.2	-49.0

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
QBE Ins Grp Australia (Reinsurance)	20.8	22.93	**2.41%**	0.8%	-25.6%
Commonwlth Bk of Aus Australia (Banks)	71.2	53.00	**2.26**	71.2	2.9
China Life Ins Hong Kong (Life Insurance)	32.6	34.05	**2.25**	50.7	47.1
PetroChina Hong Kong (Integrated Oil Gas)	23.6	8.68	**2.00**	40.5	-9.4
Cheung Kong Hong Kong (Real Estate Holding Development)	27.9	93.65	**1.90**	41.7	-8.6
China Mobile (HK) Hong Kong (Mobile Telecommunications)	195.3	76.30	**1.80**	5.1	1.7
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	34.0	103.10	**1.78**	65.5	7.3
POSCO South Korea (Iron Steel)	35.5	541,000	**1.50**	47.4	51.1
China Constr Bk Hong Kong (Banks)	173.3	5.99	**1.35**	51.3	22.8
Shinhan Financial Grp South Korea (Banks)	17.5	42,700	**1.30**	60.1	-21.5
Indl Comm Bk China Hong Kong (Banks)	59.9	5.60	**1.27**	61.9	21.2
BHP Billiton Australia (General Mining)	119.7	40.35	**1.18**	24.3	38.8
Samsung Elec South Korea (Semiconductors)	97.2	763,000	**1.06**	46.7	32.9
Westpac Bking Australia (Banks)	59.1	22.97	**1.01**	38.0	-10.3
CNOOC Hong Kong (Exploration Production)	70.3	12.22	**0.66**	70.7	87.4
National Australia Bk Australia (Banks)	45.7	24.68	**0.57**	32.7	-40.0
Mizuho Financial Grp Japan (Banks)	27.1	173.00	**Closed**	-17.2	-80.0
East Japan Railway Japan (Travel Tourism)	25.8	5,840	**Closed**	0.7	-37.4
Honda Motor Japan (Automobiles)	61.3	3,010	**Closed**	36.2	-37.0
Japan Tobacco Japan (Tobacco)	35.1	328,000	**Closed**	32.5	-38.5

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Kansai Elec Power Japan (Conventional Electricity)	22.1	2,080	**Closed**	-7.4%	-43.2%
Panasonic Japan (Consumer Electronics)	30.0	1,300	**Closed**	21.3	-46.3
Mitsubishi Japan (Industrial Suppliers)	39.5	2,155	**Closed**	65.5	-17.1
Mitsui Japan (Industrial Suppliers)	25.8	1,279	**Closed**	28.0	-38.8
NTT DoCoMo Japan (Mobile Telecommunications)	64.2	137,900	**Closed**	-8.1	-38.7
Nintendo Japan (Toys)	34.8	24,370	**Closed**	-11.7	-22.6
Nippon Steel Japan (Iron Steel)	22.7	323.00	**Closed**	21.4	-55.9
Nippon T&T Japan (Fixed Line Telecommunications)	57.5	3,900	**Closed**	-4.2	-41.3
Nissan Motor Japan (Automobiles)	33.7	743.00	**Closed**	173.2	-47.1
Seven I Hldgs Japan (Broadline Retailers)	19.5	1,937	**Closed**	-14.5	-48.4
Shin-Etsu Chml Japan (Specialty Chemicals)	22.9	4,830	**Closed**	13.7	-37.3
Sony Japan (Consumer Electronics)	33.6	3,020	**Closed**	73.7	-51.2
Takeda Pharm Japan (Pharmaceuticals)	34.2	3,890	**Closed**	-1.0	-52.4
Tokyo Elec Power Japan (Conventional Electricity)	36.6	2,430	**Closed**	-9.7	-42.6
Toyota Motor Japan (Automobiles)	119.0	3,390	**Closed**	11.2	-58.7
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	35.8	134.50	**Closed**	150.7	-4.7
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	47.2	58.40	**Closed**	29.4	-11.9
Tokio Marine Hldgs Japan (Property Casualty Insurance)	20.9	2,378	**Closed**	4.8	-46.0
JFE Hldgs Japan (Iron Steel)	18.3	3,105	**Closed**	36.2	-57.0
Sumitomo Mitsui Finl Japan (Banks)	43.0	2,858	**Closed**	-15.4	-75.6

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-0.33%	-1.72%	-0.6%	-1.8%	4.4%
Event Driven	-0.59	-2.34	0.4	-1.4	11.6
Equity Long/Short	-1.38	-2.90	0.4	-1.0	2.8

*Estimates as of 02/09/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.89	100.49%	0.01%	1.00	0.65	0.83
Eur. High Volatility: 12/1	1.31	98.62	0.01	1.76	0.92	1.30
Europe Crossover: 12/1	4.76	100.95	0.05	6.15	3.79	4.95
Asia ex-Japan IG: 12/1	1.20	99.10	0.01	1.34	0.87	1.07
Japan: 12/1	1.52	97.61	0.01	1.68	0.99	1.34

Note: Data as of February 10

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Promise	659	**-27**	18	110
Rep Philippines	206	**-17**	19	45
Rep Indonesia	215	**-17**	25	25
KT&G	97	**-14**	10	37
Korea Dep Ins	96	**-14**	10	28
Philippine Long Distance Tel	175	**-11**	17	48
Samsung Electrs	88	**-11**	14	32
Taisei	356	**-10**	-5	15
Korea Dev Bk	130	**-10**	11	43
Woori Bk	146	**-10**	7	39

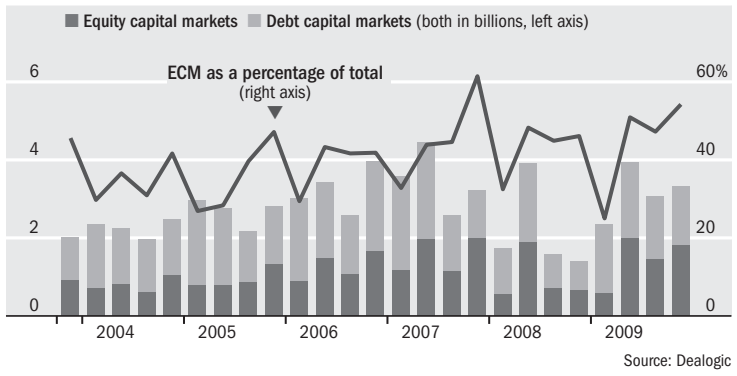
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Nippon Telegraph Tel	40	**3**	15	15
Sumitomo Metal Inds	88	**3**	11	18
All Nippon Awys	328	**4**	28	34
Chartered Semicon Mfg	171	**4**	12	43
Mitsui Co	85	**5**	13	27
Nippon Paper Group	104	**6**	7	19
Nippon Paper Inds	109	**7**	12	25
Oji Paper	73	**7**	10	11
Obayashi	235	**8**	16	53
Nishimatsu Constr	580	**12**	14	46

Source: Markit Group

Europe, Middle East & Africa: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	371.75	-1.50	-0.40%	714.00	325.00
Soybeans (cents/bu.)	CBOT	948.00	1.00	0.11%	1,087.50	819.75
Wheat (cents/bu.)	CBOT	508.50	-3.25	-0.64	745.00	472.00
Live cattle (cents/lb.)	CME	91.550	0.075	0.08	95.175	85.050
Cocoa ($/ton)	ICE-US	3,089	49	1.61	3,514	2,066
Coffee (cents/lb.)	ICE-US	133.25	-0.55	-0.41	190.40	118.30
Sugar (cents/lb.)	ICE-US	26.15	0.22	0.85	29.00	11.90
Cotton (cents/lb.)	ICE-US	73.43	-0.20	-0.27	94.00	51.38
Crude palm oil (ringgit/ton)	MDEX	2,578.00	23	0.90	3,600	1,486
Cocoa (pounds/ton)	LIFFE	2,256	34	1.53	2,356	1,475
Robusta coffee ($/ton)	LIFFE	1,301	6	0.46	1,710	1,275
Copper (cents/lb.)	COMEX	305.00	4.15	1.38	355.00	140.00
Gold ($/troy oz.)	COMEX	1079.70	3.50	0.33	1,229.00	785.10
Silver (cents/troy oz.)	COMEX	1537.50	7.50	0.49	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,043.00	-9.00	-0.44	2,356.50	1,288.00
Tin ($/ton)	LME	15,975.00	-20.00	-0.13	18,250.00	9,945.00
Copper ($/ton)	LME	6,702.00	73.00	1.10	7,695.00	3,171.00
Lead ($/ton)	LME	2,065.00	-27.50	-1.31	2,615.00	995.00
Zinc ($/ton)	LME	2,142.00	-15.50	-0.72	2,659.00	1,086.00
Nickel ($/ton)	LME	18,000	80	0.45	21,150	9,475
Crude oil ($/bbl.)	NYMEX	74.70	0.18	0.24	116.70	51.00
Heating oil ($/gal.)	NYMEX	1.9569	0.0100	0.51	3.5280	1.3800
RBOB gasoline ($/gal.)	NYMEX	1.9100	-0.0190	-0.98	2.2003	1.2176
Natural gas ($/mmBtu)	NYMEX	5.352	0.060	1.13	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	72.61	-0.51	-0.70	83.58	51.55
Gas oil ($/ton)	ICE-EU	591.25	7.00	1.20	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Feb. 11

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.2393	0.1909	3.8500	0.2597
Brazil real	2.5349	0.3945	1.8628	0.5368
Canada dollar	1.4404	0.6943	1.0585	0.9448
1-mo. forward	1.4405	0.6942	1.0585	0.9447
3-mos. forward	1.4406	0.6942	1.0586	0.9446
6-mos. forward	1.4407	0.6941	1.0587	0.9446
Chile peso	725.54	0.001378	533.15	0.001876
Colombia peso	2652.84	0.0003770	1949.40	0.0005130
Ecuador US dollar-f	1.3608	0.7348	1	1
Mexico peso-a	17.8582	0.0560	13.1229	0.0762
Peru sol	3.8818	0.2576	2.8525	0.3506
Uruguay peso-e	26.809	0.0373	19.700	0.0508
U.S. dollar	1.3608	0.7348	1	1
Venezuela bolivar	5.84	0.171105	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5389	0.6498	1.1308	0.8843
China yuan	9.2998	0.1075	6.8338	0.1463
Hong Kong dollar	10.5726	0.0946	7.7691	0.1287
India rupee	63.1775	0.0158	46.4250	0.0215
Indonesia rupiah	12751	0.0000784	9370	0.0001067
Japan yen	122.16	0.008186	89.77	0.011140
1-mo. forward	122.14	0.008187	89.75	0.011142
3-mos. forward	122.10	0.008190	89.72	0.011145
6-mos. forward	122.01	0.008196	89.66	0.011154
Malaysia ringgit-c	4.6715	0.2141	3.4328	0.2913
New Zealand dollar	1.9530	0.5120	1.4351	0.6968
Pakistan rupee	115.536	0.0087	84.900	0.0118
Philippines peso	62.837	0.0159	46.175	0.0217
Singapore dollar	1.9252	0.5194	1.4147	0.7069
South Korea won	1577.91	0.0006338	1159.50	0.0008624
Taiwan dollar	43.581	0.02295	32.025	0.03123
Thailand baht	45.146	0.02215	33.175	0.03014

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7348	1.3608
1-mo. forward	1.0001	0.9999	0.7349	1.3608
3-mos. forward	1.0002	0.9998	0.7350	1.3606
6-mos. forward	1.0006	0.9994	0.7353	1.3601
Czech Rep. koruna-b	26.030	0.0384	19.128	0.0523
Denmark krone	7.4458	0.1343	5.4714	0.1828
Hungary forint	271.56	0.003682	199.55	0.005011
Norway krone	8.0918	0.1236	5.9461	0.1682
Poland zloty	4.0342	0.2479	2.9645	0.3373
Russia ruble-d	41.133	0.02431	30.226	0.03308
Sweden krona	9.9434	0.1006	7.3068	0.1369
Switzerland franc	1.4663	0.6820	1.0775	0.9281
1-mo. forward	1.4661	0.6821	1.0773	0.9282
3-mos. forward	1.4655	0.6824	1.0769	0.9286
6-mos. forward	1.4643	0.6829	1.0760	0.9293
Turkey lira	2.0678	0.4836	1.5195	0.6581
U.K. pound	0.8718	1.1470	0.6406	1.5610
1-mo. forward	0.8720	1.1468	0.6408	1.5606
3-mos. forward	0.8724	1.1463	0.6411	1.5599
6-mos. forward	0.8729	1.1456	0.6414	1.5590
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5130	1.9492	0.3770	2.6526
Egypt pound-a	7.4697	0.1339	5.4890	0.1822
Israel shekel	5.0984	0.1961	3.7465	0.2669
Jordan dinar	0.9638	1.0375	0.7083	1.4119
Kuwait dinar	0.3927	2.5464	0.2886	3.4652
Lebanon pound	2042.64	0.0004896	1501.00	0.0006662
Saudi Arabia riyal	5.1033	0.1960	3.7501	0.2667
South Africa rand	10.4995	0.0952	7.7154	0.1296
United Arab dirham	4.9984	0.2001	3.6730	0.2723
SDR -f	0.8826	1.1330	0.6486	1.5418

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
51	**ASIA-PACIFIC**	DJ Asia-Pacific	118.58	1.13	0.96%	-3.6%	40.6%
...	Australia	SPX/ASX 200	4554.30	40.88	0.91	-6.5	29.6
...	China	CBN 600	26572.39	36.32	0.14	-8.5	39.1
18	Hong Kong	Hang Seng	20290.69	368.47	1.85	-7.2	53.4
18	India	Sensex	16152.59	230.42	1.45	-7.5	70.6
...	Indonesia	Jakarta Composite	2507.751	24.313	0.98	-1.0	89.2
...	Japan	Nikkei Stock Average	9963.99		Closed	-5.5	29.3
...		Topix	883.50		Closed	-2.7	16.2
...	Malaysia	Kuala Lumpur Composite	1249.42	3.25	0.26	-1.8	39.7
...	New Zealand	NZSX-50	3065.278	-20.229	-0.66%	-5.1	11.5
9	Pakistan	KSE 100	9802.80	69.44	0.71	4.4	81.6
13	Philippines	Manila Composite	2908.88	51.64	1.81	-4.7	51.2
...	Singapore	Straits Times	2753.63	19.24	0.70	-5.0	63.4
11	South Korea	Kospi	1597.81	27.69	1.76	-5.0	35.4
20	Taiwan	Weighted	7441.84		Closed	-9.1	66.6
10	Thailand	SET	695.41	7.00	1.02	-5.3	57.8
58	**EUROPE**	DJ Stoxx 600	241.84	0.93	0.38	-4.5	27.2
23		DJ Stoxx 50	2425.68	9.71	0.40	-5.9	24.0
70	**Euro Zone**	DJ Euro Stoxx	253.40	-1.27	-0.50%	-7.8%	23.1%
21		DJ Euro Stoxx 50	2683.93	-16.24	-0.60	-9.5	21.1
21	Denmark	OMX Copenhagen	326.98	1.96	0.60%	3.6	36.6
20	Finland	OMX Helsinki	6488.07	23.34	0.36	0.5	26.6
17	France	CAC-40	3616.75	-18.86	-0.52	-8.1	22.0
19	Germany	DAX	5503.93	-32.44	-0.59	-7.6	24.9
14	Italy	FTSE MIB	21076.45	-165.18	-0.78	-9.3	19.3
...	Netherlands	AEX	316.80	0.70	0.22	-5.5	27.6
...	Russia	RTSI	1391.94	4.83	0.35	-2.5	127.6
10	Spain	IBEX 35	10281.7	-173.3	-1.66	-13.9	25.4
14	Switzerland	SMI	6403.42	69.43	1.10	-2.2	25.4
...	Turkey	ISE National 100	51381.04	813.54	1.61	-2.7	105.3
13	U.K.	FTSE 100	5161.48	29.49	0.57	-4.6	22.8
18	**AMERICAS**	DJ Americas	281.90	-0.96	-0.34	-4.9	35.7
...	Brazil	Bovespa	65563.98	512.56	0.79	-4.4	62.1
...	Argentina	Merval	2259.51	20.14	0.90	-2.6	106.5
20	Mexico	IPC	30949.71	203.66	0.66	-3.6	60.6

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.25%	20	**DJ Global Index**	213.34	-0.32	-0.15%	-6.0%	35.6%	-9.1%
1.94	20	**Global DOW**	1856.17	10.05	0.54	-6.5	33.7	-5.5
2.39		**Asia/Pacific 600**	112.16	0.92	0.83	-2.2	32.1	-9.2
1.85	14	**Emerging Markets**	259.80	1.72	0.67	-7.2	71.7	0.2
2.21	51	**Asia/Pacific**	118.58	1.13	0.96	-3.6	40.6	-7.4
2.50	16	**Asia/Pacific ex-Japan**	293.78	4.54	1.57	-6.9	71.4	-2.6
2.68	22	**Southeast Asia**	150.07	0.71	0.48	-6.7	74.9	-1.1
0.89	27	**CBN China 600** -c	26572.39	36.32	0.14	-8.5	39.1	12.4
0.91	30	**Shanghai**	356.85	0.15	0.04	-8.0	39.2	12.4
0.61	44	**Shenzhen**	388.90	0.31	0.08	-6.6	54.8	18.9
2.37	18	**China Offshore 50**	3763.72	71.92	1.95	-7.7	52.3	4.3
7.65	9	**Australia LPT** -c, d	1146.60	-4.56	-0.40	-1.4	27.2	-23.7

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.17%	14	**Islamic Market**	1868.37	1.77	0.09%	-5.4%	32.6%	-4.0%
2.47	15	**Islamic Market 100**	2007.99	-0.60	-0.03	-5.3	22.8	-4.4
9.25		**Bahrain**	126.97	-0.51	-0.40	4.3	-7.5	-11.3
2.77	46	**Kuwait**	203.17	-0.06	-0.03	4.4	10.2	-14.5
2.71	18	**Sustainability**	931.93	-3.97	-0.42	-8.0	34.9	-10.3
2.53	58	**Stoxx 600 -p**	246.47	1.11	0.45	-9.4	32.4	-12.6
4.09	18	**Stoxx Select Div 30 -p**	1626.41	7.20	0.44	-9.4	28.6	-24.7
3.67	25	**Euro Stoxx Sel Div 30 -p**	1934.27	22.02	1.15	-9.1	37.1	-20.6
1.82	24	**DJ U.S. TSM**	10992.43	-42.63	-0.39	-4.4	29.9	-8.9
4.37	14	**U.S. Select Dividend -d**	625.44	-2.97	-0.47	-3.9	29.7	-11.9
5.18		**U.S. REIT**	132.72	-1.34	-1.00	-8.7	37.1	-23.1
		DJ-UBS Commodity -p	129.89	0.56	0.44	-6.7	18.3	-8.1

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.131	0.641	1.058	6.834	0.735	7.769	46.425	9370.31	89.765	1.435	1159.50	3.433	46.175	1.415	1.077	32.025	33.175
Australia	0.884		0.567	0.936	6.043	0.650	6.870	41.054	8286.17	79.379	1.269	1025.35	3.036	40.833	1.251	0.953	28.320	29.337
Britain	1.561	1.765		1.652	10.667	1.147	12.127	72.467	14626.59	140.119	2.240	1809.92	5.358	72.077	2.208	1.682	49.989	51.785
Canada	0.945	1.068	0.605		6.456	0.694	7.340	43.861	8852.86	84.808	1.356	1095.47	3.243	43.625	1.337	1.018	30.257	31.343
China	0.1463	0.165	0.094	0.155		0.108	1.137	6.793	1371.17	13.135	0.210	169.67	0.502	6.757	0.207	0.158	4.686	4.855
Euro	1.361	1.539	0.872	1.440	9.300		10.573	63.177	12751.59	122.157	1.953	1577.91	4.671	62.837	1.925	1.466	43.581	45.146
Hong Kong	0.129	0.146	0.082	0.136	0.880	0.095		5.976	1206.10	11.554	0.185	149.25	0.442	5.943	0.182	0.139	4.122	4.270
India	0.0215	0.0244	0.0138	0.0228	0.1472	0.0158	0.1673		201.84	1.9335	0.0309	24.98	0.0739	0.9946	0.0305	0.0232	0.6898	0.7146
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0096	0.0002	0.12	0.0004	0.0049	0.0002	0.0001	0.0034	0.0035
Japan	0.011	0.013	0.007	0.012	0.076	0.008	0.087	0.517	104.39		0.016	12.92	0.038	0.514	0.016	0.012	0.357	0.370
New Zealand	0.697	0.788	0.446	0.738	4.762	0.512	5.414	32.349	6529.24	62.548		807.94	2.392	32.175	0.986	0.751	22.315	23.116
South Korea	0.0009	0.0010	0.0006	0.0009	0.0059	0.0006	0.0067	0.0400	8.08	0.0774	0.0012		0.0030	0.0398	0.0012	0.0009	0.0276	0.0286
Malaysia	0.291	0.329	0.187	0.308	1.991	0.214	2.263	13.524	2729.68	26.150	0.418	337.78		13.451	0.412	0.314	9.329	9.664
Philippines	0.022	0.024	0.014	0.023	0.148	0.016	0.168	1.005	202.93	1.944	0.031	25.11	0.074		0.031	0.023	0.694	0.718
Singapore	0.707	0.799	0.453	0.748	4.831	0.519	5.492	32.816	6623.53	63.452	1.014	819.61	2.426	32.639		0.762	22.637	23.450
Switzerland	0.928	1.050	0.595	0.982	6.342	0.682	7.210	43.086	8696.35	83.309	1.332	1076.10	3.186	42.854	1.313		29.722	30.789
Taiwan	0.031	0.035	0.020	0.033	0.213	0.023	0.243	1.450	292.59	2.803	0.045	36.21	0.107	1.442	0.044	0.034		1.036
Thailand	0.030	0.034	0.019	0.032	0.206	0.022	0.234	1.399	282.45	2.706	0.043	34.95	0.103	1.392	0.043	0.032	0.965	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of February. 11, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	26	**ALL COUNTRY (AC) WORLD***	281.46	-0.07%	-6.0%	35.3%
2.50	27	**World (Developed Markets)**	1,101.44	-0.02	-5.7	31.3
1.80	116	**World Small Cap**	182.48	-0.16	-4.0	47.3
2.60	22	**Kokusai (World ex-Japan)**	1,084.98	-0.05	-6.4	33.8
3.00	27	**EAFE**	1,464.88	-0.23	-7.3	31.4
2.10	20	**Emerging Markets (EM)**	912.49	-0.42	-7.8	72.3
2.60	22	**AC ASIA PACIFIC EX-JAPAN**	381.63	-0.42	-8.4	67.2
2.10	22	**AC Far East ex-Japan**	415.25	-0.68	-7.7	61.9
1.70	-36	**Japan**	552.93	0.31	-2.7	13.0
2.00	19	**China**	58.94	1.28	-9.1	57.5
0.90	37	**China A (China Domestic)**	3,066.35	1.40	-9.3	59.0
2.70	22	**Hong Kong**	9,559.76	0.34	-6.1	45.1
1.00	20	**India**	647.91	-0.63	-8.4	78.7
1.10	16	**Korea**	446.51	-0.07	-7.1	39.5
2.40	19	**Malaysia**	458.42	0.84	-2.4	40.0
3.10	17	**Singapore**	1,525.03	-0.50	-6.1	54.7
2.60	232	**Taiwan**	269.24	0.95	-9.0	68.7
3.00	18	**Thailand**	278.60	0.46	-7.7	55.9
4.00	24	**Australia**	929.65	0.03	-7.1	27.6
5.40	16	**New Zealand**	81.62	0.44	-6.4	1.8
1.90	32	**US BROAD MARKET**	1,186.33	0.19	-4.1	31.8
3.40	17	**EUROPE**	83.63	0.69	-5.3	25.0

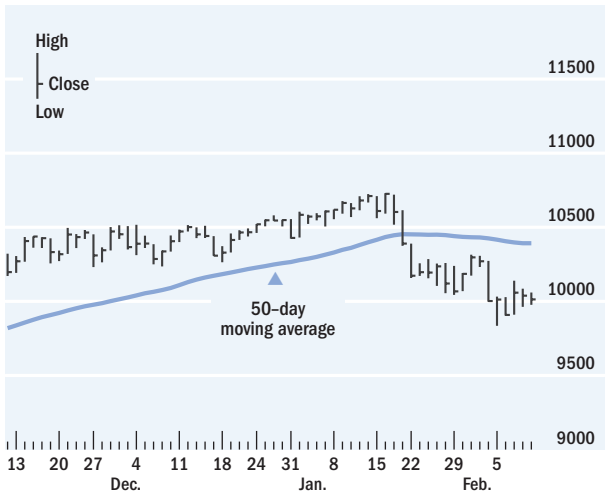
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 16

LAST: **10013.22** ▼ 25.16, or 0.25%
YEAR TO DATE: ▼ **414.83, or 4.0%**
OVER 52 WEEKS ▲ **2,080.46, or 26.2%**



Nasdaq Composite Index P/E: 20*

LAST: **2143.25** ▼ 4.62, or 0.22%
YEAR TO DATE: ▼ **125.90, or 5.5%**
OVER 52 WEEKS ▲ **601.54, or 39.0%**

S&P 500 Index P/E: 27

LAST: **1064.26** ▼ 3.87, or 0.36%
YEAR TO DATE: ▼ **50.84, or 4.6%**
OVER 52 WEEKS ▲ **229.07, or 27.4%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**12.10**	$25.23	0.11	**0.44%**
Alcoa	AA	**14.50**	13.46	0.30	**2.24**
AmExpress	AXP	**3.90**	38.35	0.60	**1.59**
BankAm	BAC	**63.20**	14.64	-0.03	**-0.20**
Boeing	BA	**1.90**	60.34	0.80	**1.34**
Caterpillar	CAT	**4.60**	54.78	1.63	**3.07**
Chevron	CVX	**5.30**	71.90	1.15	**1.63**
CiscoSys	CSCO	**18.90**	23.96	0.20	**0.84**
CocaCola	KO	**5.90**	54.29	0.50	**0.93**
Disney	DIS	**5.70**	30.32	0.29	**0.97**
DuPont	DD	**2.60**	32.48	0.09	**0.29**
ExxonMobil	XOM	**9.70**	65.21	0.36	**0.56**
GenElec	GE	**28.20**	15.66	-0.03	**-0.19**
HewlettPk	HPQ	**5.20**	48.71	0.69	**1.44**
HomeDpt	HD	**5.40**	28.89	0.24	**0.84**
Intel	INTC	**25.40**	20.10	0.41	**2.08**
IBM	IBM	**2.20**	123.99	1.18	**0.96**
JPMorgChas	JPM	**14.90**	38.75	-0.12	**-0.31**
JohnsJohns	JNJ	**3.90**	63.02	0.29	**0.46**
KftFoods	KFT	**6.30**	28.89	-0.04	**-0.14**
McDonalds	MCD	**2.60**	63.49	0.24	**0.37**
Merck	MRK	**5.10**	36.42	0.22	**0.61**
Microsoft	MSFT	**23.90**	28.24	0.25	**0.89**
Pfizer	PFE	**21.60**	17.80	0.06	**0.34**
ProctGamb	PG	**3.60**	61.98	0.31	**0.50**
3M	MMM	**2.10**	80.16	1.54	**1.96**
TravelersCos	TRV	**1.80**	49.97	0.28	**0.56**
UnitedTech	UTX	**2.50**	66.76	0.12	**0.18**
Verizon	VZ	**6.00**	29.10	0.23	**0.80**
WalMart	WMT	**4.60**	53.19	-0.05	**-0.10**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**135.6**	$3.19	–$0.01	**–0.31%**
SPDR S&P 500	SPY	**110.6**	107.81	0.80	**0.75**
BosSci	BSX	**96.5**	7.51	–0.78	**–9.41**
BankAm	BAC	**65.0**	14.63	–0.04	**–0.27**
SprintNextel	S	**50.3**	3.30	–0.06	**–1.79**
PwrShrs QQQ	QQQQ	**43.0**	43.60	0.58	**1.35**
AlcatelLucent	ALU	**42.6**	2.78	–0.40	**–12.58**
iShrMSCIEmrgMkt	EEM	**42.2**	38.62	0.69	**1.82**
SPDR FnclSelSct	XLF	**36.6**	13.91	0.00	**0.00**
DrxFinancBear 3x	FAZ	**33.5**	20.75	–0.05	**–0.24**
FordMotor	F	**31.7**	11.03	0.09	**0.84**
Vale ads	VALE	**30.7**	26.48	0.28	**1.07**
ActivisionBliz	ATVI	**30.1**	10.93	0.83	**8.23**
GenElec	GE	**28.3**	15.66	–0.03	**–0.19**
iShrRu2000	IWM	**25.8**	60.06	0.43	**0.72**

Biggest gainers...

LeapFrog A	LF	**3,138.8**	$4.67	$0.94	**25.17%**
ArlingtonAssetInvest	AI	**98.8**	17.44	2.60	**17.52**
AugustaRes	AZC	**829.6**	2.51	0.35	**16.20**
comScore	SCOR	**164.6**	15.00	1.98	**15.21**
JournalComm A	JRN	**134.4**	3.64	0.42	**13.04**

...Biggest losers

ShwtzMaud	SWM	**6,706.7**	$48.97	-$21.26	**-30.27%**
Administaff	ASF	**3,005.0**	17.34	-5.51	**-24.11**
AtlSthrnFnlGp	ASFN	**55.0**	2.28	-0.64	**-21.92**
SieraWrls	SWIR	**1,200.5**	9.60	-2.16	**-18.37**
Cambrex	CBM	**271.1**	4.36	-0.91	**-17.27**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.88	**Taiwan Semi**	TSM	**7,722.2**	$9.80	0.10	**1.03%**
82.74	33.09	**BHP Billiton**	BHP	**2,468.8**	71.88	2.49	**3.59**
4.24	1.65	**Utd Microelectronics**	UMC	**1,231.1**	3.70	0.05	**1.37**
91.97	56.79	**Toyota Motor**	TM	**1,014.9**	75.66	-0.03	**-0.04**
15.95	8.65	**China Unicom**	CHU	**975.8**	11.46	0.48	**4.37**
8.19	4.18	**Siliconware Prec Ind**	SPIL	**849.7**	6.36	0.05	**0.79**
18.20	6.85	**Korea Elec Pwr**	KEP	**705.9**	16.80	0.71	**4.41**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**669.9**	5.07	0.03	**0.60**
13.30	6.35	**AU Optrncs**	AUO	**654.4**	11.19	0.02	**0.18**
59.22	40.20	**China Mobile**	CHL	**625.0**	49.00	0.80	**1.66**
59.13	22.61	**Infosys Tech**	INFY	**528.7**	54.07	0.96	**1.81**
5.23	1.57	**Adv Semi Engrg**	ASX	**493.7**	4.25	0.06	**1.43**
18.64	12.59	**SK Telecom**	SKM	**401.7**	16.86	0.13	**0.78**
81.00	38.70	**China Life Ins**	LFC	**365.6**	65.55	1.42	**2.21**
34.27	10.70	**Aluminum Cp of China**	ACH	**359.0**	24.24	0.50	**2.11**
9.50	3.96	**Nomura Hldgs**	NMR	**284.1**	7.08	0.06	**0.85**
135.92	63.94	**PetroChina**	PTR	**220.9**	111.54	2.80	**2.57**
24.09	17.71	**NTT**	NTT	**189.5**	21.83	0.01	**0.05**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**188.2**	20.50	0.75	**3.80**
35.59	15.64	**Sony**	SNE	**184.5**	33.87	0.06	**0.18**
171.59	75.59	**CNOOC**	CEO	**168.1**	159.28	3.08	**1.97**
37.23	20.72	**Honda Motor**	HMC	**164.7**	33.80	0.04	**0.12**
150.50	47.09	**POSCO**	PKX	**163.2**	117.58	3.64	**3.19**
21.22	16.33	**ChunghwaTel**	CHT	**162.1**	18.53	0.04	**0.22**
7.74	2.00	**Alumina**	AWC	**155.6**	5.99	0.32	**5.64**
4.68	1.50	**SemiMfgInt**	SMI	**124.7**	4.31	0.30	**7.48**
94.00	46.45	**China Petro & Chem**	SNP	**107.2**	76.54	1.23	**1.63**
9.82	5.43	**Telecom Corp of NZ**	NZT	**104.0**	8.14	0.10	**1.24**
21.78	11.30	**KT Corp**	KT	**94.0**	20.30	0.25	**1.25**
16.86	13.11	**NTT DoCoMo**	DCM	**83.3**	15.43	0.04	**0.26**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

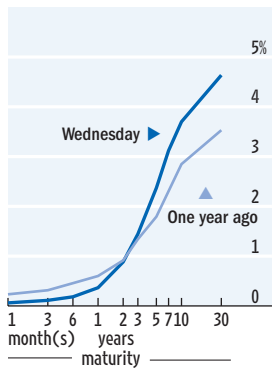
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.630%**	**375.5**	366.2	358.3	**173.1**	**4.517%**	4.537%	**2.652%**
4.500	10	**5.573**	**185.0**	189.4	193.2	**149.7**	**5.525**	5.755	**4.254**
5.000	**Austria** 2	**1.564**	**68.9**	68.1	70.2	**46.5**	**1.536**	1.656	**1.386**
3.900	10	**3.659**	**-6.4**	3.0	-2.6	**139.5**	**3.661**	3.797	**4.152**
2.000	**Belgium** 2	**1.342**	**46.7**	44.9	0.9	**46.8**	**1.304**	0.963	**1.389**
3.750	10	**3.731**	**0.8**	7.7	-14.8	**144.5**	**3.708**	3.675	**4.202**
1.500	**Canada** 2	**1.380**	**50.5**	44.9	33.4	**25.0**	**1.304**	1.288	**1.171**
3.750	10	**3.477**	**-24.6**	-24.7	-21.4	**18.6**	**3.384**	3.609	**2.943**
4.000	**Denmark** 2	**1.870**	**99.5**	94.2	108.0	**151.0**	**1.797**	2.034	**2.431**
4.000	10	**3.572**	**-15.1**	-9.9	-21.2	**86.3**	**3.532**	3.611	**3.620**
3.750	**France** 2	**1.192**	**31.7**	31.3	20.9	**64.2**	**1.168**	1.163	**1.563**
3.500	10	**3.552**	**-17.1**	-11.2	-26.6	**91.3**	**3.519**	3.557	**3.670**
1.250	**Germany** 2	**1.055**	**18.0**	18.5	28.5	**46.2**	**1.040**	1.239	**1.383**
3.250	10	**3.238**	**-48.5**	-44.8	-46.2	**46.8**	**3.183**	3.361	**3.225**
0.550	**Hong Kong** 2	**0.697**	**-17.8**	-18.7	-42.4	**-32.2**	**0.668**	0.530	**0.599**
2.160	10	**3.093**	**-63.0**	-57.4	-74.1	**-110.3**	**3.057**	3.082	**1.654**
5.000	**Italy** 2	**1.626**	**75.1**	79.1	47.2	**126.7**	**1.646**	1.426	**2.188**
4.250	10	**4.047**	**32.4**	38.8	23.2	**175.1**	**4.019**	4.055	**4.508**
0.200	**Japan** 2	**0.165**	**-71.0**	-69.0	-77.9	**-46.8**	**0.165**	0.175	**0.453**
1.300	10	**1.334**	**-238.9**	-229.7	-245.4	**-145.2**	**1.334**	1.369	**1.305**
2.500	**Netherlands** 2	**1.106**	**23.1**	23.1	-18.0	**75.3**	**1.086**	0.774	**1.674**
3.500	10	**3.516**	**-20.7**	-14.0	-31.0	**118.8**	**3.491**	3.513	**3.945**
3.200	**Portugal** 2	**1.465**	**59.0**	55.1	24.7	**90.3**	**1.406**	1.201	**1.824**
4.750	10	**4.455**	**73.2**	86.6	20.2	**164.9**	**4.497**	4.025	**4.406**
5.350	**Spain** 2	**1.499**	**62.4**	68.8	43.9	**123.8**	**1.543**	1.393	**2.159**
4.000	10	**4.004**	**28.1**	36.0	14.8	**148.0**	**3.991**	3.971	**4.237**
2.750	**Switzerland** 2	**0.445**	**-43.0**	-40.8	-32.7	**-59.4**	**0.447**	0.627	**0.327**
2.250	10	**1.939**	**-178.4**	-169.2	-171.9	**-65.4**	**1.939**	2.104	**2.103**
3.250	**U.K.** 2	**1.181**	**30.6**	26.5	25.2	**41.1**	**1.120**	1.206	**1.332**
4.500	10	**4.006**	**28.3**	27.6	15.7	**65.5**	**3.907**	3.980	**3.412**
0.875	**U.S.** 2	**0.875**	**...**	...	...	**...**	**0.855**	0.954	**0.921**
3.625	10	**3.723**	**...**	...	...	**...**	**3.631**	3.823	**2.757**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.636%**	16.08	–1.90%	0.48%	0.48%	–13.61%
10-year Treasury	**3.700**	8.31	–0.57	1.59	1.59	–3.54
7 Year Treasury	**3.120**	6.22	–0.12	2.20	2.20	...
Five-year Treasury	**2.371**	4.67	–0.02	1.64	1.64	1.68
Ryan Index	**2.692**	6.69	–0.45	1.30	1.30	–1.46
3 Year Treasury	**1.444**	2.93	–0.01	1.13	1.13	2.90
Two-year Treasury	**0.883**	1.95	–0.07	0.71	0.71	2.12
1 Year Treasury	**0.366**	1.00	–0.04	0.16	0.16	1.22
Six-month Treasury	**0.183**	0.50	–0.01	0.03	0.03	0.65
Ryan Cash Index-a	**0.180**	0.46	–0.01	0.05	0.05	0.59
Three-month bill	**0.112**	0.25	...	0.01	0.01	0.37
One-month bill	**0.061**	0.08	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.00
ECB	**1.00**	2.00
Switzerland	**0.53**	0.53
Australia	**3.75**	3.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23063%**	0.45500%
Three month	**0.25000**	1.23438
Six month	**0.39000**	1.72375
One year	**0.86188**	2.01875

	Latest	52 wks ago
Euro Libor		
One month	**0.38438%**	1.63375%
Three month	**0.59719**	1.95625
Six month	**0.91313**	2.03938
One year	**1.20500**	2.14938
Hibor		
One month	**0.06929**	0.17714%
Three month	**0.13000**	0.77786
Six month	**0.24714**	1.12929
One year	**0.55500**	1.57571
Asian dollars		
One month	**0.2396%**	0.47%
Three month	**0.2566**	1.2300
Six month	**0.3930**	1.7225
One year	**0.8550**	2.0475

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.17%**	0.28%
U.K. (BBA)	**0.523**	0.950
Euro zone	**0.30**	1.22

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Thursday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 9963.99
Market Closed

Investors are likely to be relieved that euro-zone countries came out with a show of support for Greece when the market re-opens Friday.

Stock	Volume in millions	Close	Change Net	Change %
Toshiba	**108.52**	420	1	0.24
Mtshbsh Fin Grp	**62.84**	453	–3	–0.66
Mizuho Financial	**58.23**	173	–2	–1.14
Hitachi	**42.26**	306	–1	–0.33
Nissan Motor	**39.18**	743	12	1.64

Hang Seng
Hong Kong 20290.69
▲ 1.85% or 368.47

Investors welcomed lower-than-expected inflation data on the mainland, sending the index higher for a third session. Bank of East Asia rose 3% on a surge in net profit.

Stock	Volume in millions	Close	Change Net	Change %
Bank Of China	**260.80**	3.83	0.09	2.41
CCB	**220.36**	5.99	0.08	1.35
Icbc	**218.42**	5.60	0.07	1.27
CNOOC	**82.42**	12.22	0.08	0.66
PetroChina	**81.61**	8.68	0.17	2.00

Kospi
South Korea 1597.81
▲ 1.76% or 27.69

Resource stocks and shipbuilders advanced as concerns eased about any imminent tightening in China after inflation data came in below expectations.

Stock	Volume in millions	Close	Change Net	Change %
Korea Data Sys	**51.19**	310	5	1.64
Kwangmyung El	**37.64**	2,870	170	6.30
Hansol Homedeco	**20.32**	1,940	115	6.30
Samyang Optics	**14.47**	1,140	25	2.24
First Tech Elec	**12.86**	3,100	150	5.08

Sensex
India 16152.59
▲ 1.45% or 230.42

Banks and Reliance Industries led the gains, as optimism that debt-laden Greece would be rescued by the stronger economies in the euro zone cheered markets.

Stock	Volume in millions	Close	Change Net	Change %
Jaiprak Asso-A	**2.18**	132.70	4.50	3.51
Dlf-A	**2.07**	307.00	5.25	1.74
Tata Steel-A	**1.97**	534.00	11.45	2.19
Reliance-A	**1.23**	1,013.95	29.30	2.98
Hindalco-A	**1.14**	138.25	1.75	1.28

Asian stocks in the news

Woodside Petroleum
Australia A$43.00
▲ 3.2% or A$1.34

Shares tracked the price of crude-oil futures higher.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**18**
Earnings per share, past four quarters				**2.40**
Dividend yield				**1.3**
	PERCENTAGE CHANGE			
Oil & Gas		**2.0%**	-1.1%	46.6%
Woodside Petroleum		**3.2%**	-0.5%	34.9%

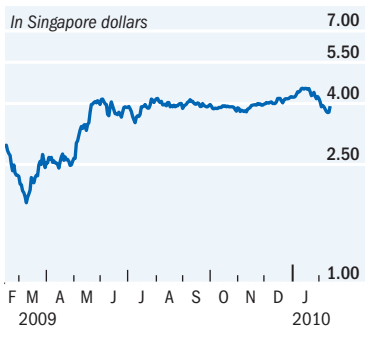
Arrow Energy
Australia A$3.54
▲ 4.1% or A$0.14

The company surprised the market by taking entire ownership of the Fisherman's Landing LNG project.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**7**
Earnings per share, past four quarters				**0.52**
Dividend yield				**none**
	PERCENTAGE CHANGE			
Oil & Gas		**2.0%**	-1.1%	46.6%
Arrow Energy		**4.1%**	-1.4%	39.9%

Fraser & Neave
Singapore S$3.92
▲ 4.8% or S$0.18

CapitaLand's solid earnings boosted other Singapore property plays.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**14**
Earnings per share, past four quarters				**0.27**
Dividend yield				**3.4**
	PERCENTAGE CHANGE			
Indus Gds & Svcs		**0.8%**	-1.8%	51.7%
Fraser & Neave		**4.8%**	0.5%	36.1%

China Unicom
Hong Kong HK$8.93
▲ 5.1% or HK$0.43

Nomura upgraded the stock to buy, saying net additions for the 3G business is a near-term catalyst.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**7**
Earnings per share, past four quarters				**1.32**
Dividend yield				**2.5**
	PERCENTAGE CHANGE			
Telecommunications		**0.8%**	-1.0%	10.4%
China Unicom		**5.1%**	3.8%	20.4%

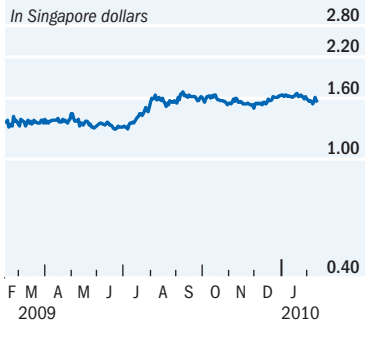
GOME Elec App Hldg
Hong Kong HK$2.60
▲ 5.7% or HK$0.14

Citics Research said it expects China's home-appliance sector to continue growing rapidly.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**84**
Earnings per share, past four quarters				**0.03**
Dividend yield				**none**
	PERCENTAGE CHANGE			
Retail		**0.9%**	-1.1%	35.9%
GOME Elec App Hldg		**5.7%**	-2.6%	...

ComfortDelGro
Singapore S$1.55
▼ 1.3% or S$0.02

Phillip Securities downgrades it to hold, saying the share price is fully valued at current levels.



		Daily	1 wk.	52 wks
Price-to-earnings ratio				**15**
Earnings per share, past four quarters				**0.10**
Dividend yield				**3.4**
	PERCENTAGE CHANGE			
Travel & Leisure		**0.4%**	-1.6%	17.7%
ComfortDelGro		**-1.3%**	-0.6%	17.4%

Fletcher Building
New Zealand NZD7.45
▼ 1.3% or NZD0.10

A disappointing start to earning season caused the stock to reverse early gains.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**none**
Earnings per share, past four quarters				**...**
Dividend yield				**5.1**
	PERCENTAGE CHANGE			
Constructn & Matl		**1.2%**	-0.4%	46.5%
Fletcher Building		**-1.3%**	-3.2%	34.5%

Contact Energy
New Zealand NZD5.66
▼ 2.4% or NZD0.14

Investors fretted the company may lose customers after announcing 5% price hikes.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**28**
Earnings per share, past four quarters				**0.20**
Dividend yield				**4.9**
	PERCENTAGE CHANGE			
Utilities		**0.6%**	-0.6%	3.7%
Contact Energy		**-2.4%**	-3.1%	-15.6%

China Yurun Food
Hong Kong HK$21.00
▼ 4.3% or HK$0.95

Investors locked in profits after recent gains.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**30**
Earnings per share, past four quarters				**0.71**
Dividend yield				**1.1**
	PERCENTAGE CHANGE			
Food & Beverage		**0.6%**	-2.2%	44.9%
China Yurun Food		**-4.3%**	-7.1%	121.1%

Telstra
Australia A$3.22
▼ 5.0% or A$0.17

The company reported lower-than-expected first-half profit and cut its revenue guidance for the year.

		Daily	1 wk.	52 wks
Price-to-earnings ratio				**10**
Earnings per share, past four quarters				**0.32**
Dividend yield				**4.3**
	PERCENTAGE CHANGE			
Telecommunications		**0.8%**	-1.0%	10.4%
Telstra		**-5.0%**	-5.8%	-12.3%

HEARD ON THE STREET

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Bank of Korea: government's helper

Nowhere in the world have expectations for interest-rate increases been rolled back as much as in South Korea.

Once on the short list of central banks that might be first to raise rates, the Bank of Korea instead remains on hold.

Left at 2% Thursday, its base rate has been at that low level—its lowest since rate targets were made public nearly 11 years ago—for a full year.

This, despite expectations that Korea's economy will return to pre-crisis 4%-to-5% growth levels this year, a sharp increase in already-high rates of household borrowing last year and rebounding corporate profits.

Certainly the central bank isn't short of excuses to keep holding off. In recent days, Korea's unemployment rate jumped surprisingly, for example, though that is arguably a result of new job seekers entering the market. Even the recent financial-market volatility inserts uncertainty in the bank's outlook, says Young Sun Kwon, an ex-BOK economist who now works for Nomura.

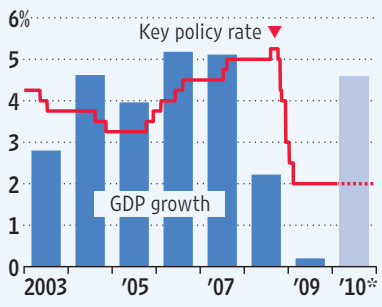
Inflation, meanwhile, remains benign, with consumer prices up 3.1% in January. In any case, the bank can use a stronger won to fight off the effects of imported inflation, should oil prices rise.

But interest-rate increases can take months to weave their way into the economy, so starting now only seems prudent. Failing to do so means the BOK is going to find itself rushing later this year and next.

This is something neither Korea's borrowers nor its investors will welcome. More than 90% of home-equity loans in Korea have floating interest rates, the Samsung Economic Research Institute says. Heading into 2009, Korean households already held more debt relative to disposable income than those in the U.S., and with interest rates low and real-estate prices rising, they spent much of last year adding to this leverage.

Disconnect

Bank of Korea's key policy rate (left axis) and GDP growth (right axis)



* Bank of Korea forecast
Sources: Bank of Korea via Thomson Reuters Datastream (rate) and World Bank (GDP)

Reuters

Governor of the Bank of Korea, Lee Seong-tae

It is now being taken as a fait accompli that rate rises are off the table for several months.

The country's government might see to that. In January, Seoul invoked a right—unused in 11 years—to sit in on Bank of Korea meetings, a clear sign of its interest in pressuring the bank to accede to the government's short-term interests.

Next month, the term of the bank's Gov. Lee Seong-tae comes to an end. Economists expect his replacement to be more dovish—a prospect that has become difficult to imagine.

—Mohammed Hadi

Sovereign CDS spike is a symptom, not a cause

Don't blame the speculators.

Greek and Spanish politicians complain that their countries and possibly the whole euro zone have come under speculative attack by shadowy forces, leading to the rush to develop a euro-zone bailout mechanism.

The credit-default-swap market, already targeted for its alleged role in fomenting the financial crisis, has come under suspicion. But it's not that straightforward.

True, the sovereign CDS market is playing a growing role: In the month to Feb. 5, the number of contracts outstanding on the Markit iTraxx SovX Western Europe index of 15 sovereigns doubled, according to the Depository Trust & Clearing Corp. Moves in Greek credit-default swaps seemed to lead developments in the underlying bond market, even though there are only $80 billion of gross contracts on Greece, versus around $385 billion of Greek debt.

> Portugal sold a highly successful bond while its CDS curve was inverted, normally a sign of stress

There have been disconnects, with real investor demand seemingly at odds with the picture painted by credit default swaps. Portugal sold a highly successful €3 billion ($4.1 billion) bond while its CDS curve was inverted, which would normally suggest intense stress.

But the real pressure may be as much due to hedging as speculators. Any speculative positions were probably taken a good time ago, when the cost of buying insurance against a Greek or Portuguese default was much cheaper. The real shift higher in costs is likely to have come as traditional investors with exposure to Greek or other southern European assets—including equities and corporate debt—became concerned about possible contagion and spill-over effects due to the very real crisis in Greek public finances.

They will have been using the CDS market to hedge exposure. Bank risk-management desks will also have been forced to buy protection as liquidity in the underlying bonds declined and their price dropped, adding to the pressure.

There have been sovereign crises for as long as there have been sovereigns. Investors will always find a way of betting against governments. The CDS market has made credit risk more easily observable, and in the case of the euro zone, is a way of circumventing the protection the euro offers to weaker members.

If the euro zone is forced to rescue Greece, then calls for regulation of CDS markets may become louder. Some investors are already considering, carefully, how they make use of CDS even for hedging purposes on this basis. But the leap in sovereign CDS costs is a symptom, not the cause, of Greece's problems.

—Richard Barley

delta lloyd groep
EUR 1,088,800,000
Initial Public Offering
Joint Bookrunner
November 2009

RioTinto
AUD 4,244,000,000
Rights Issue
Joint Bookrunner
July 2009

SAP
EUR 1,500,000,000
Refinancing of RCF
Joint Bookrunner and
Mandated Lead Arranger
September 2009

U. S. Steel
USD 862,500,000
Convertible Bond Offering
USD 692,070,000
27,140,000 Common Shares
(Follow-On Offering)
Joint Lead Manager
April 2009

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